



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole
Meeting of March 27, 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 \$93,194.00 for the period February 1, 2008, through February 29, 2008 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period February 11, 2008, through March 17, 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 March 18, 2008, and April 14, 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 February 2008 (see Attachment C for details).

Fiscal Impact

Disbursements in the amount of \$93,194.00 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 February 1, 2008, through February 29, 2008. All commitments/expenditures in excess of \$10,000 that have not been previously approved by the Board are listed below.

VENDOR	DESCRIPTION	DIVISION	AMOUNT
Marco USA	Premium Blast Hose	Bridge	\$12,195.00
Delta T Systems	Ventilation Control for Medocino Repower	Ferry	10,478.00
Delta T Systems	Fan Axial for for Mendocino Repower	Ferry	10,013.00
American Mgt. Association	Technical Writing	District	11,000.00
Driveline Svc of Portland	Drive Shaft for Mendocino Repower	Ferry	15,807.00
Office Team	Temp Personnel for Records Retention	District	10,000.00
Office Team	Temp Personnel for Payroll	District	10,000.00
Performance Turbochargers	5 Orion Turbochargers	Bus	13,701.00
TOTAL			\$93,194.00

ATTACHMENT B

RATIFICATION OF PREVIOUS INVESTMENTS

Summary

During the reporting period of February 11, 2008, through March 17, 2008, \$18,939,000 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:

Security	Purchase Date	Maturity Date	Original Cost	Percent Yield
JP Morgan Chase Bank Acceptance	02/14/08	05/13/08	332,625.22	2.92
JP Morgan Chase Bank Acceptance	02/14/08	06/12/08	1,311,414.64	2.93
FHLB Disc Note	02/27/08	03/26/08	5,049,643.68	2.89
CBA (DE) Finance Commercial Paper	03/03/08	05/30/08	6,226,392.29	2.93
Deutsche Bank NY Certificate of Deposit	03/03/08	06/04/08	5,050,000.00	2.92
HSBC Bank USA Global Bank Notes	03/04/08	09/15/09	2,001,044.50	3.50
Credit Suisse FB USA, Inc. Certificate of Deposit	03/13/08	06/05/08	6,130,803.34	2.75

Market Summary

Quotations as of March 17, 2008 for collateralized public time deposits over \$100,000 and representative money market securities are shown below:

Category	90 DAYS	180 DAYS	360 DAYS
Bank C.D.	3.25%	3.25%	3.47%
Treasury Bills	1.18%	1.29%	
Commercial Paper	2.32%	2.15%	



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March 17, 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, February 2007

Economic Summary

The U.S. economy remains under pressure due to the continued deterioration in the subprime mortgage market, with financial institutions and investors continuing to experience the brunt of the negative effects. The broader economy, too, has begun to noticeably experience the spillover effects of the ongoing crisis in the forms of a contraction of credit, a slowing labor market, and a decrease in retail sales.

The current economic gloom has resulted in decreasing yields in the fixed-income market, and increased volatility and declines in the major equity indices. Increased demand for the safety of U.S. Treasury securities has driven down the yield of the 2-year U.S. Treasury note to as low as 1.62% in February, and 1.33% on March 17, 2008.



Source: Bloomberg



Housing

As discussed in previous memos to the Finance-Auditing Committee, much of the turmoil currently engrossing the markets can be traced back to the deterioration of the housing sector. Homeowners remain stressed due to decreasing property values and, at times, increasing adjustable mortgage rates. This combination is resulting in increasing numbers of foreclosed properties, which is adding to an already bloated housing inventory. Nationally, foreclosure rates were 60% higher than in February 2007. In California, one out of every 242 homes is currently in default or foreclosure. The market is hoping that the eventual stabilization in the housing market may help turn around the general economy.



Source: Bloomberg

Financial Institutions

Financial institutions and their investors continued to suffer the brunt of the losses related to the subprime mortgage crisis. Bear Stearns, once the world's fifth-largest securities firm, announced on Friday, March 14, that a run on its assets was threatening its solvency (investors had withdrawn \$14 billion in two days). In an attempt to halt possible contagion, the Federal Reserve and JP Morgan Chase, one of Bear Stearns' competitors, announced they would step in and shore up Bear Stearns' finances. On Monday, March 17, JP Morgan Chase announced the purchase of Bear Stearns for \$2.00 a share; Bear Stearns had been trading at \$30 a share just three days earlier.

The large losses suffered by financial institutions are having a dramatic effect on the availability of liquidity in the financial markets. Homeowners and potential home buyers are having difficulties finding credit to fund their purchases or refinancing. Even municipal bond insurers have suffered greatly due to ill-advised investments in mortgage-backed securities. Losses suffered by municipal bond insurers are currently rippling through the municipal bond market.

Municipal Bond Market

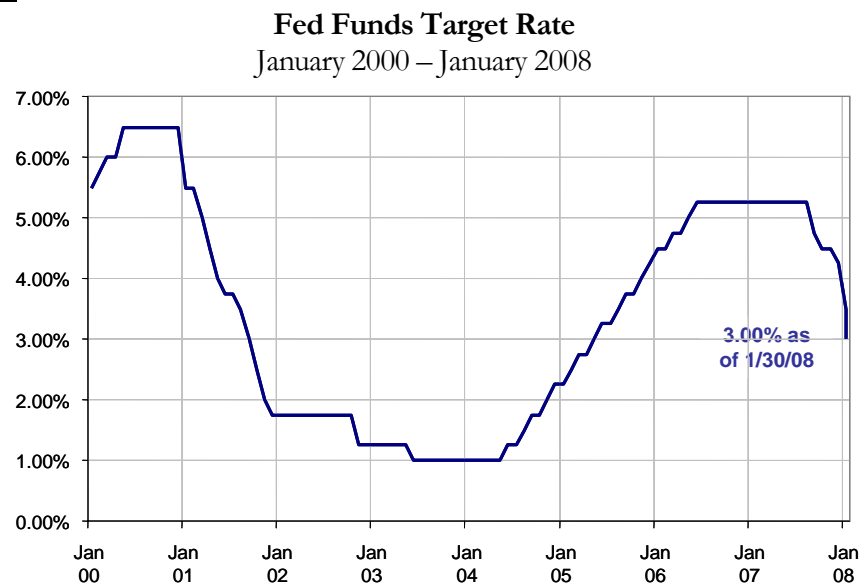
Municipal bond insurers, such as Ambac, MBIA, and XL Capital, suffered substantial losses due to investments in subprime mortgage-backed securities. News that these losses may negatively impact the bond insurers' credit ratings sent shockwaves throughout the municipal bond market, as holders of municipal bonds feared the insurance on their municipal bond holdings would become worthless. Demand for municipal bonds dried up, and a liquidity crisis ensued, as many holders of these securities attempted to sell into a market with little or no demand. This decrease in demand for municipal bond securities caused the near collapse of the \$330 billion auction-rate municipal bond market, a market where investors' bids set the municipal securities' yield. Historically, dealers and financial institutions have stepped in to purchase these auction-rate securities when investors' demand has waned. With the tremendous losses being suffered in the financial sector, financial institutions were not able provide the needed liquidity for these securities, and many issuers were forced to pay penalty rates for their failed-auction securities—rates as high as 20%.

Slowing Economic Activity

Evidence that the subprime mortgage crisis is spilling over into the broader economy has begun to emerge. In February, the U.S. economy lost the most jobs in five years. Employers—mostly retailers, manufacturing, and builders—cut 63,000 jobs. February's job loss was the steepest one-month decline in non-farm payrolls since March 2003. This loss in jobs surprised economists who had expected a moderate gain rather than a loss. February's job loss follows a steep decline in jobs in January, when the economy lost 22,000 jobs. The last time the economy lost jobs two months in a row was May/June 2003.

The stresses in the financial sector have also begun to weigh on the minds of consumers. In February, consumer confidence fell more than forecast to a five-year low. Consumers' outlook on employment for the next six months was the lowest since 1991. Economists believe consumer confidence and consumer spending are being negatively impacted by three years of housing market declines and elevated food and oil prices. In February, retail sales decreased 0.6%.

Federal Reserve



Source: Bloomberg

Faced with an onslaught of negative data, the Federal Reserve has continued to aggressively add liquidity to the markets. In its first emergency weekend action in almost 30 years, the Federal Reserve cut the discount rate—the rate it charges member banks for short-term loans—by 25 basis points to 3.25%. In addition, the Fed provided a credit line of \$30 billion to JP Morgan Chase to facilitate its purchase of the struggling Bear Stearns Co. The Fed has lowered the benchmark overnight rate five times, to 3.00%, and the discount rate seven times, to 3.25%, since the middle of August 2007, when the collapse of U.S. subprime mortgages started to infect markets around the world. It is widely expected that the Fed will lower the overnight lending rate when it meets next on March 20/21.

Golden Gate Bridge's General Fund Portfolio

With market rates near ten-year lows, we focused our purchases for the District's portfolio in high-quality, short-term money market instruments. These purchases allowed us to capture comparably attractive rates, and provides us the flexibility to begin purchasing longer-term securities when rates are more attractive.

The District's portfolio ended February with a yield at cost of 4.67%, excluding LAIF, and 4.63% including LAIF.

MEMORANDUM

To: Finance-Auditing Committee/Committee of the Whole
Meeting of March 27, 2008

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

Re: District Investment Report, February 2008

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 February 29, 2008

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	4.16	LOCAL AGENCY INVESTMENT FUND	12,408,421	12,400,000	12,400,000.00
03/03/08	CP	11/30/07	5.10	SOCIETE GENERALE N AMER COMM PAPER	6,160,429	6,162,000	6,081,068.98
03/13/08	BA	01/15/08	4.18	BANK OF AMERICA CORP BANK ACCEP	1,235,637	1,237,000	1,228,729.28
03/13/08	CD	12/06/07	5.15	ROYAL BANK OF SCOTLAND (NY) CERT DEPOS	7,005,634	7,000,000	7,004,221.28
03/19/08	BA	01/15/08	4.18	BANK OF AMERICA BANK ACCEP	1,086,248	1,088,000	1,079,972.98
03/24/08	BA	01/15/08	4.18	BANK OF AMERICA BANK ACCEP	3,173,530	3,180,000	3,154,705.75
03/26/08	CD	12/26/07	4.76	CALYON NY CERTIFICATE OF DEPOSIT	2,134,499	2,132,000	2,132,000.00
03/26/08	DN	02/27/08	2.89	FHLB DISC NOTE	5,050,865	5,061,000	5,049,643.68
03/28/08	CP	02/07/08	3.07	SVENSKA HANDELSBANK INC COMM PAPER	1,095,369	1,098,000	1,093,333.50
04/04/08	CP	01/07/08	4.35	UBS FINANCE DELAWARE LLC COMM PAPER	6,193,457	6,212,000	6,146,704.98
05/05/08	CP	02/04/08	3.10	BARCLAYS US FUNDING LLC COMM PAPER	2,038,553	2,050,000	2,034,065.52
05/05/08	CP	01/04/08	4.40	BNP PARIBAS FINANCE INC COMM PAPER	7,209,516	7,250,000	7,143,491.46
05/05/08	CD	02/07/08	3.00	RABOBANK NEDERLAND NV (NY) CERT DEPOS	7,247,855	7,250,000	7,248,403.81
05/05/08	CP	01/04/08	4.42	UBS FINANCE DELAWARE LLC COMM PAPER	1,102,807	1,109,000	1,092,651.49
05/07/08	BA	01/15/08	4.00	BANK OF AMERICA CORP BANK ACCEP	1,693,451	1,703,000	1,681,885.17
05/07/08	CP	01/08/08	4.30	BARCLAYS US FUNDING LLC COMM PAPER	5,242,670	5,273,000	5,198,474.94
05/07/08	CP	01/08/08	4.32	CALYON NORTH AMERICA INC COMM PAPER	4,971,240	5,000,000	4,929,000.00
05/13/08	BA	02/15/08	2.92	JP MORGAN CHASE BANK ACCEP	332,972	335,000	332,625.22
06/04/08	CP	01/08/08	4.43	CITIGROUP FUNDING INC COMM PAPER	2,231,845	2,250,000	2,209,762.50
06/12/08	BA	02/15/08	2.93	JP MORGAN CHASE BANK ACCEP	1,313,047	1,324,000	1,311,414.64
07/21/08	NOTES	09/26/05	4.38	FHLB BONDS (CALLABLE)	6,001,875	6,000,000	5,797,800.00
08/15/08	NOTES	05/20/05	4.22	WELLS FARGO FINANCIAL GLOBAL SR NOTES	3,257,087	3,229,000	3,389,029.24
08/25/08	NOTES	08/18/06	5.23	FNMA GLOBAL NOTES (EX-CALLABLE)	5,415,275	5,360,000	5,311,534.88
10/14/08	NOTES	12/08/05	4.80	FHLB BONDS	5,059,375	5,000,000	4,960,850.00
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP NA (CITI) GL SR NOTES	5,085,550	5,000,000	5,298,900.00
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	3,655,125	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,065,625	5,000,000	4,814,050.00
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,167,609	1,225,000	1,092,724.50
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,838,675	4,500,000	4,758,795.00
01/15/10	NOTES	09/22/06	5.19	WELLS FARGO COMPANY GLOBAL SR NOTES	5,085,805	5,000,000	4,850,300.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,267,188	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,764,680	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO MTN	8,015,776	8,000,000	7,806,480.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	5,227,025	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JP MORGAN CHASE & CO SR NOTES	5,264,375	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,432,813	5,000,000	5,014,550.00
01/09/12	NOTES	02/12/07	5.35	FHLMC GLOBAL NOTES (CALLABLE)	5,102,425	5,000,000	4,988,850.00
					160,634,327	159,038,000	157,672,854.60

DESCRIPTION	INVESTMENT	PORTFOLIO COMPOSITION	YIELD
Banker's Acceptance	8,834,886	5.50%	3.91%
Savings and Loan C.D.'s (C.D.)	16,387,988	10.20%	4.15%
Commercial Paper (C.P.)	36,245,886	22.56%	4.37%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	5,050,865	3.14%	2.89%
Agency Coupon Notes	40,999,700	25.52%	5.03%
Corporate Notes	36,774,293	22.89%	5.05%
Municipal Bonds	3,932,289	2.45%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	12,408,421	7.72%	4.16%
	160,634,327	100.00%	
	Average Investment Yield of Portfolio		4.59%
	Average Maturity of Portfolio		353

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.