



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole
Meeting of October 23, 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 \$98,817.00 for the period August 1, 2008, through September 30, 2008 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period August 12, 2008, through October 13, 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 September 9, 2008, and November 10, 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 August and September 2008 (see Attachment C for details).

Fiscal Impact

Disbursements in the amount of \$98,817.00 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 August 1, 2008, through September 30, 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
Vantage Point Consulting	Technical Paint Blasting Assistance	Bridge	\$10,000.00
Robert Half Technologies	Temporary IS Personnel	District	10,000.00
IBTTA	Annual Dues for FY 08/09	Bridge	19,208.00
Standard & Poors	Annual Service Fee	District	14,000.00
Dell Marketing	Optiplex 755 Small Form	District	15,609.00
PES Environmental	Ground Water Investigation	District	10,000.00
Robert Half Technologies	Temporary IS Personnel	District	10,000.00
Robert Half Technologies	Temporary IS Personnel	District	10,000.00
TOTAL			\$98,817.00

ATTACHMENT B

RATIFICATION OF PREVIOUS INVESTMENTS

Summary

During the reporting period August 12, 2008, through October 13, 2008, \$37,074,000.00 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:

Security	Purchase Date	Maturity Date	Original Cost	Percent Yield
HSBC Finance Corp. Commercial Paper	08/15/08	10/15/08	3,315,273.08	2.62
Dexia Delaware LLC Commercial Paper	08/21/08	11/10/08	7,204,488.13	2.81
HSBC Finance Corp Commercial Paper	08/21/08	10/15/08	3,635,780.21	2.56
FHLB Disc Note	08/25/08	08/27/08	199,977.78	2.00
Toronto Dominion Certificate of Deposit	08/25/08	10/15/08	5,280,000.00	2.53
Wells Fargo Financial Global Notes	08/27/08	04/18/12	5,117,650.00	5.40
FHLB Disc Note	08/29/08	10/01/08	5,587,092.79	2.32
FHLB Disc Note	09/18/08	10/22/08	6,284,392.01	2.12
FHLB Disc Note	10/01/08	12/22/08	5,594,506.25	2.38

Market Summary

Quotations as of October 14, 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.	2.73%	3.40%	3.87%
Treasury Bills	0.36%	1.14%	
Commercial Paper	3.90%	3.80%	



The PFM Group

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October 10, 2008

Memorandum

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

From: Nancy Jones, Managing Director
Paulina Woo, Consultant
PFM Asset Management LLC

Re: District Investment Report, August-September 2008

Recent Market Events

A lot has happened since we last met on August 21. Liquidity and credit concerns have continued to drive major market events and government actions since then. Below, I have listed some of these events.

- **September 7:** Freddie Mac and Fannie Mae were placed into conservatorship by the Federal Government because they were not able to procure capital as privately held companies. Contained within the conservatorship legislation is the explicit commitment of the U.S. Government to protect senior and subordinated debt and the mortgage-backed securities of the GSEs.
- **September 16:** Lehman Brothers filed for bankruptcy causing the Reserve Primary Fund, the nation's oldest money market fund, to "break the buck." The failure of the Reserve Primary Fund was a major cause of the seizure in the commercial paper markets as other money market funds sought to maintain high levels of liquidity in preparation for withdrawals by panicky investors by avoiding purchases of corporate securities and other short-term instruments. On September 19, the U.S. Treasury Department announced a \$50 billion guarantee for money market funds over the next year in order to allay investor fears and preempt runs on money market funds.¹
- **September 17:** The Federal Government extended an \$85 billion loan to AIG to allow the company to liquidate its businesses with as little disruption to the economy as possible. The government moved to stave off the meltdown of the financial markets that the default of \$190 billion worth of AIG's outstanding debt securities would inevitably cause.

¹ The Treasury Department money market guarantee only applies to funds deposited on or before September 19, 2008.

- **September 22:** Goldman Sachs and Morgan Stanley, the last two major investment banks, changed their statuses to bank holding companies. Status as a bank holding company allows them to accept commercial deposits and bolster their capital resources. This move effectively signaled the end of the traditional investment banking model.
- **September 26:** FDIC seized the assets of Washington Mutual and sold them to JPMorgan Chase.
- **September 29:** FDIC brokered the sale of Wachovia to Citigroup. On October 10, Citigroup withdrew its bid for Wachovia opening the door for Wells Fargo to acquire the bank.
- **October 3:** The Emergency Economic Stabilization Act of 2008 was signed into law. The Act provides \$250 billion for the immediate purchase of bad assets from financial institutions, with an additional \$100 billion pre-approved for use as needed. Another \$350 billion would be made available with Congressional approval. Legislators added measures to 1) help homeowners avoid foreclosure, 2) limit executive compensation for participating companies, 3) mandate equity transfers from participating companies to the government to reduce the national debt, and 4) create an oversight board to audit the use of bailout funds. Additionally, the level of FDIC deposit insurance was also temporarily increased from \$100,000 to \$250,000. Provisions for executive compensation limits, homeowner protection, and a variety of tax cuts and incentives were also included in the bill.

The aggressive actions by the U.S. Government over the last month have all been efforts to alleviate market panic, unfreeze the credit markets, encourage the normalization of lending, and stabilize the financial system.

PFM is constantly monitoring the markets, and we are comfortable keeping our clients' funds invested in a limited list of corporate issuers. Our approved corporate issuer list is limited to companies with diversified revenue streams. None of PFM's portfolios had holdings in Bear Stearns, AIG, Lehman Brothers, or Washington Mutual.

General Fund Portfolio Recap and Strategy

In this challenging market, our focus has been on the preservation of principal and meeting the District's liquidity needs. Due to the volatile environment and credit concerns, we did not make any long-term purchases in September. Furthermore, in concert with our ultra-conservative management strategy, we did not extend the duration of the portfolio.

The portfolio is well diversified amongst Federal Agency notes, certificates of deposit, municipal notes, high-quality commercial paper, and corporate notes. Moreover, the District's corporate exposure is diversified among the eleven issuers listed in the table on the following page. All of these companies are rated A or better, and no more than 6% of the District's portfolio is invested in any one issuer.

Corporate Issuer	% of Portfolio	Credit Ratings		
		S&P	Moody's	Fitch
<u>CDs</u>				
Royal Bank of Scotland	3%	A-1+	P-1	F1+
Toronto Dominion	4%	A-1+	P-1	F1+
BNP Paribus	4%	A-1+	P-1	F1+
<u>Commercial Paper</u>				
HSBC	5%	A-1+	P-1	F1+
Societe Generale	5%	A-1+	P-1	F1+
Dexia	5%	A-1+	P-1	NR
<u>Corporate Notes</u>				
Citigroup	4%	AA-	Aa3	AA-
HSBC	1%	AAA	Aaa	NR
General Electric	6%	AAA	Aaa	NR
Merrill Lynch	5%	AA-	Aa2	AA-
JPMorgan Chase	3%	AA+	Aa1	AA
Wells Fargo	4%	AA-	Aa3	AA-

The District's General Fund portfolio ended September with a yield at cost of 4.17 %, excluding LAIF, and 3.87% including LAIF.

Current Economic Conditions

As you are probably aware, both the U.S. and global economies are struggling in the current economic climate. Specific data detailing the latest economic releases and events follows.

- Economic growth was 3.3% in the second quarter, which was much higher than expected. GDP is expected to be much slower in the latter half of 2008.
- Unemployment jumped to 6.1% in August, the highest level in five years. Employers have cut 605,000 jobs since the beginning of 2008.
- Consumers have been hit hard by declining home values and increasing unemployment. Consumer confidence has declined to historic lows, which is many times a precursor to lower consumer spending.
- On October 8, the Federal Reserve (1.50%), the European Central Bank (3.75%), the Bank of England (4.50%) and the central banks of Canada and Sweden all reduced primary lending rates by a half percentage point. The move was made in effort to inject more liquidity into the global market and stimulate bank lending. In the immediate future, the Fed's action is expected to have only limited impact on borrowing costs, given the intensity of the credit market's constriction.

MEMORANDUM

To: Finance-Auditing Committee/Committee of the Whole
Meeting of October 23, 2008

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

Re: District Investment Report, August & September 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
General Fund # 31930100

As of August 31, 2008

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	2.78	LOCAL AGENCY INVESTMENT FUND	8,399,582	8,400,000	8,400,000.00
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP NA (CITI) GL SR NOTES	5,019,020	5,000,000	5,298,900.00
11/03/08	CD	07/30/08	2.73	BANQUE NATIONAL DE PARIS (NY) CERT DEPOS	5,000,476	5,000,000	5,000,000.00
11/10/08	CP	08/21/08	2.81	DEXIA DELAWARE LLC COMM PAPER	7,210,132	7,250,000	7,204,488.13
01/09/12	NOTES	02/12/07	5.35	FHLMC GLOBAL NOTES (CALLABLE)	5,030,735	5,000,000	4,988,850.00
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,020,313	5,000,000	4,814,050.00
07/15/13	NOTES	08/01/08	4.77	FFCB NOTES (CALLABLE)	5,035,938	5,000,000	4,995,000.00
04/03/13	NOTES	04/03/08	4.06	FFCB BONDS (CALLABLE)	4,959,375	5,000,000	4,981,500.00
10/01/08	DN	08/29/08	2.32	FHLB DISC NOTE	5,587,634	5,599,000	5,587,092.79
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,765,436	3,695,000	3,704,237.50
10/14/08	NOTES	12/08/05	4.80	FHLB BONDS	5,009,375	5,000,000	4,960,850.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,262,500	5,000,000	5,014,550.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	4,954,688	5,000,000	4,995,150.00
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	4,970,313	5,000,000	4,857,050.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,139,063	5,000,000	4,938,600.00
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	3,621,281	3,610,000	3,482,855.80
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	5,121,260	5,000,000	4,996,750.00
10/15/08	CP	08/15/08	2.62	HSBC FINANCE CORP COMM PAPER	3,319,091	3,330,000	3,315,273.08
10/15/08	CP	08/21/08	2.56	HSBC FINANCE CORP COMM PAPER	3,638,043	3,650,000	3,635,780.21
09/15/09	NOTES	03/07/08	3.50	HSBC BANK USA GLOBAL SR BANK NOTES	1,980,812	1,990,000	2,001,044.50
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,672,661	4,500,000	4,758,795.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	5,133,260	5,000,000	5,067,400.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO SR MTN	7,807,352	8,000,000	7,806,480.00
10/15/08	CD	07/30/08	2.74	ROYAL BANK OF SCOTLAND (NY) CERT DEPOS	4,640,954	4,640,000	4,640,065.62
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,185,506	1,225,000	1,092,724.50
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,764,650	3,000,000	2,551,230.00
11/03/08	CP	08/05/08	2.79	SOCIETE GENERALE NA COMM PAPER	7,035,421	7,070,000	7,021,040.25
10/15/08	CD	08/25/08	2.53	TORONTO DOMINION CERT DEPOS	5,279,693	5,280,000	5,280,000.00
04/18/12	NOTES	08/27/08	5.40	WELLS FARGO FINANCIAL GLOBAL NOTES	5,187,930	5,000,000	5,117,650.00
					141,752,490	141,239,000	140,507,407.38

DESCRIPTION	INVESTMENT	PORTFOLIO COMPOSITION	YIELD
Banker's Acceptance	-	0.00%	0.00%
Savings and Loan C.D.'s (C.D.)	14,921,123	10.53%	2.66%
Commercial Paper (C.P.)	21,202,686	14.96%	2.73%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	5,587,634	3.94%	2.32%
Agency Coupon Notes	52,769,015	37.23%	4.71%
Corporate Notes	34,922,295	24.64%	5.07%
Municipal Bonds	3,950,156	2.79%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	8,399,582	5.93%	2.78%
	141,752,490	100.00%	
	Average Investment Yield of Portfolio		4.08%
	Average Maturity of Portfolio		579

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.

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT
All three accounts combined

As of September 30, 2008

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL		
					MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	2.78	LOCAL AGENCY INVESTMENT FUND	10,199,492	10,200,000	10,200,000.00
10/01/08	DN	08/29/08	2.32	FHLB DISC NOTE	5,598,920	5,599,000	5,587,092.79
10/14/08	NOTES	12/08/05	4.80	FHLB BONDS	5,003,125	5,000,000	4,960,850.00
10/15/08	CP	08/21/08	2.56	HSBC FINANCE CORP COMM PAPER	3,644,080	3,650,000	3,635,780.21
10/15/08	CP	08/15/08	2.62	HSBC FINANCE CORP COMM PAPER	3,324,599	3,330,000	3,315,273.08
10/15/08	CD	07/30/08	2.74	ROYAL BANK OF SCOTLAND (NY) CERT DEPOS	4,637,662	4,640,000	4,640,065.62
10/15/08	CD	08/25/08	2.53	TORONTO DOMINION CERT DEPOS	5,276,886	5,280,000	5,280,000.00
10/22/08	DN	09/18/08	2.12	FHLB DISC NOTE	6,290,444	6,297,000	6,284,392.01
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP NA (CITI) GL SR NOTES	4,987,505	5,000,000	5,298,900.00
11/03/08	CD	07/30/08	2.73	BANQUE NATIONAL DE PARIS (NY) CERT DEPOS	4,994,755	5,000,000	5,000,000.00
11/03/08	CP	08/05/08	2.79	SOCIETE GENERALE NA COMM PAPER	7,044,793	7,070,000	7,021,040.25
11/04/08	CP	08/04/08	2.82	CITIGROUP FUNDING INC COMM PAPER	1,464,645	1,470,000	1,459,481.33
11/04/08	CP	08/04/08	2.82	UBS FINANCE DELAWARE LLC COMM PAPER	6,974,298	7,000,000	6,950,000.55
11/10/08	CP	08/21/08	2.81	DEXIA DELAWARE LLC COMM PAPER	7,218,999	7,250,000	7,204,488.13
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	3,615,641	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,009,375	5,000,000	4,814,050.00
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,190,431	1,225,000	1,092,724.50
09/15/09	NOTES	03/07/08	3.50	HSBC BANK USA GLOBAL SR BANK NOTES	1,946,915	1,990,000	2,001,044.50
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,536,828	4,500,000	4,758,795.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,126,563	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,791,320	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO SR MTN	7,298,528	8,000,000	7,806,480.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	4,842,400	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	4,934,970	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,245,313	5,000,000	5,014,550.00
01/09/12	NOTES	02/12/07	5.35	FHLMC GLOBAL NOTES (CALLABLE)	5,026,730	5,000,000	4,988,850.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	4,948,438	5,000,000	4,995,150.00
04/18/12	NOTES	08/27/08	5.40	WELLS FARGO FINANCIAL GLOBAL NOTES	5,021,610	5,000,000	5,117,650.00
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,752,734	3,695,000	3,704,237.50
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	4,956,250	5,000,000	4,857,050.00
04/03/13	NOTES	04/03/08	4.06	FFCB BONDS (CALLABLE)	4,950,000	5,000,000	4,981,500.00
07/15/13	NOTES	08/01/08	4.77	FFCB NOTES (CALLABLE)	5,029,688	5,000,000	4,995,000.00
					156,883,934	157,806,000	157,001,281.27

<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.)	14,909,304	9.50%	2.66%
Commercial Paper (C.P.)	29,671,414	18.91%	2.75%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	11,889,364	7.58%	2.22%
Agency Coupon Notes	52,663,855	33.57%	4.71%
Corporate Notes	33,568,756	21.40%	5.07%
Municipal Bonds	3,981,751	2.54%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	10,199,492	6.50%	2.78%
	<u>156,883,934</u>	<u>100.00%</u>	
	Average Investment Yield of Portfolio		3.92%
	Average Maturity of Portfolio		501

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.