



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 20, 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 \$44,564.00 for the period October 1, 2008, through October 31, 2008 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period October 14, 2008, through November 10, 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 November 11, 2008, and December 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 October 2008 (see Attachment C for details).

Fiscal Impact

Disbursements in the amount of \$44,564.00 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 October 1, 2008, through October 31, 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
Essential Staffing, Inc.	Temporary Help for Workers' Comp Position	District	\$10,000.00
Essential Staffing, Inc.	Temporary Help for Workers' Comp Position	District	10,000.00
AccounTemps	Temporary Help for Payroll	District	10,000.00
San Rafael Sanitation	08/09 Sewer Service Charge	Bus	14,564.00
TOTAL			\$44,564.00

ATTACHMENT B

RATIFICATION OF PREVIOUS INVESTMENTS

Summary

During the reporting period October 14, 2008, through November 10, 2008, \$60,987,000.00 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
Bank of America NA, Certificate of Deposit	10/14/08	11/13/08	5,100,000.00	3.50
FHLB Disc Note	10/15/08	11/14/08	16,951,323.96	1.25
FHLMC Disc Note	10/22/08	11/24/08	6,296,355.59	1.15
FHLB Global Bonds	11/03/08	10/09/09	7,596,992.00	2.72
FHLB Global Bonds	11/04/08	05/15/12	7,417,963.00	3.92
BNP Paribas Finance, Inc. Commercial Paper	11/04/08	12/04/08	3,478,774.00	1.80
Calyon North American Commercial Paper	11/04/08	12/04/08	4,990,833.34	2.20

Market Summary

Quotations as of November 10, 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.	2.60%	3.25%	3.60%
Treasury Bills	0.44%	1.04%	
Commercial Paper	2.00%	2.35%	



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November 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, October 2008

The second wave of the credit crisis spilled into October as the U.S. experienced the greatest market volatility since the Great Depression. Even as the Federal Government announced specifics of its plan to shore up financial firms with liquidity and debt guarantees, yield spreads widened, stock prices suffered, and more negative economic data was reported.

On October 3, the Federal Government passed the Emergency Economic Stabilization Act of 2008. The Act provides \$700 billion for the Treasury and Federal Reserve to use to provide liquidity to the cash starved financial markets. Each of the following banks received part of the initial \$125 billion capital injection through the purchase of senior preferred shares:

- Citigroup
- Wachovia/Wells Fargo
- JP Morgan Chase
- Bank of America/Merrill Lynch
- Morgan Stanley
- Goldman Sachs
- Bank of New York
- State Street

U.S. Bancorp later accepted \$6.6 billion. By the end of the year, Additional regional banks will receive a portion of the remaining \$125 billion.

The direct purchase of equity stakes will immediately enhance each firm's capital position. The Government's initiatives also included a 30-day guarantee of newly issued commercial paper and senior debt for all FDIC insured bank and bank holding companies. Additionally, the FDIC will guarantee new debt issued by financial institutions that opt into the program, pay a fee, and issue debt between October 14, 2008 and June 30, 2009. The guarantee expires on June 30, 2012. This guarantee does not apply to debt issued before its inception, but does imply a higher level of ongoing financial support from the Federal Government, which is expected to strengthen the financial condition of the firms involved.

The recent FDIC initiatives came too late for many banks that folded in 2007 and 2008. Nineteen banks have shut down since July 2007. The largest bank failure in history came in September when Washington Mutual closed its doors. The second largest bank to fail was IndyMac in July.

In addition to the Government's capital injections led by the Treasury, the Federal government has continued to implement programs to foster liquidity in the market. On October 21, Money Market Investor Funding Facility (MMIFF) was established in an effort to further improve credit market conditions by enhancing the liquidity position of money market investors. The MMIFF will purchase certificates of deposit and commercial paper from U.S. money market funds. According to the Federal Reserve Bank of New York, "improved money market conditions will enhance the ability of banks and other financial intermediaries to accommodate the credit needs of businesses and households."

On October 27, the Commercial Paper Funding Facility (CPFF) was created to help the commercial paper market, which has been under strain since money market mutual funds have become reluctant to purchase commercial paper, the Federal Government created the \$1.7 trillion CPFF to:

- Help provide liquidity to short-term credit markets through the purchase of 90-day unsecured and asset-backed commercial paper directly from U.S. financial and industrial firms
- Enhance the ability of financial intermediaries to accommodate the credit needs of businesses and households

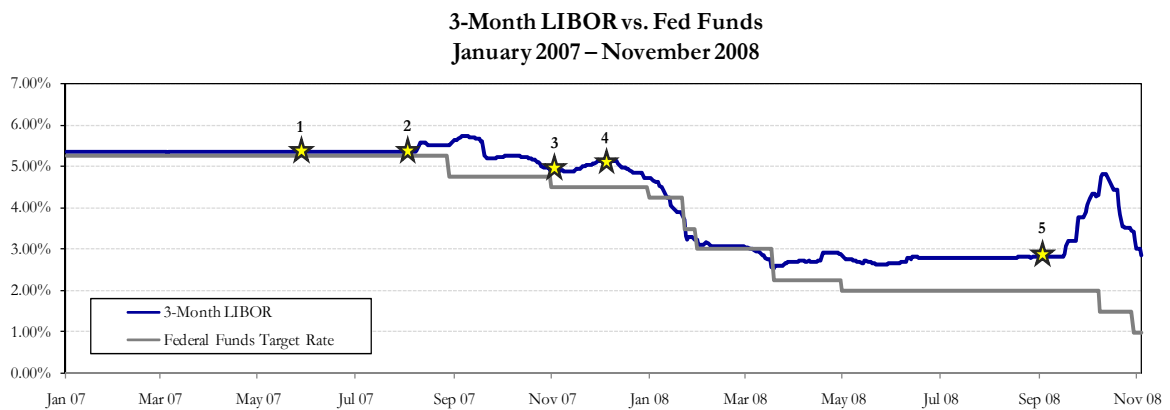
The Federal Open Market Committee (FOMC) also acted to increase liquidity and thaw the frozen credit markets by cutting the Federal Funds Target Rate by a combined 1.00% during October. The first 0.50% cut came at an unscheduled meeting on October 8. The FOMC then reduced the target rate by another 0.50% at its regular meeting held on October 29. The market is expecting even further rate cuts at the FOMC's December meeting based on the Committee's statement that it "will monitor economic and financial developments carefully and will act as needed to promote sustainable economic growth and price stability." In addition to liquidity concerns, an underlying weak economy significantly contributed to the Fed's recent rate actions. Several major indicators, listed below, have signaled an overall economic decline.

- The housing sector continues to experience sustained weakness. The rates of mortgage delinquencies and foreclosures have reached historically high levels.
- October's unemployment rate reached a 14-year high of 6.5%. The economy lost 240,000 jobs during the month.
- GDP contracted in the third quarter at an annualized rate of 0.3%, which is the biggest decline in seven years.
- Consumer confidence numbers have fallen to record lows.
- The Institute for Supply Management's composite business activity (ISM) indicator fell to 38.9, its lowest level since 1982. ISM readings have historically been good indicators of GDP growth. Readings below fifty indicate that the economy is contracting.

For the past year, PFM has been very proactive in protecting our clients' assets. The chart below shows the Federal Funds Target Rate compared to the 3-month London Interbank Offered Rate (LIBOR). LIBOR is the rate at which banks can borrow from other banks in the London interbank

market and is seen as a good indicator of the available liquidity in the market. Under normal conditions, the Federal Funds target rate and LIBOR track each other very closely. A large spread between these rates indicates market stress. The stars in the chart correspond with the dates on the table which show when PFM took preemptive actions to ensure the safety of the assets we manage.

Date	Action Taken
1. June 2007	Sold all asset-backed commercial paper (“CP”)
2. August 2007	Drastically reduced approved issuers
3. November 2007	Recommended clients invest in government-only money market funds
4. Late 2007/Early 2008	Increased resources allocated to internal credit processes and client communications
5. September 2008	Shifted focus to liquidity and ceased purchase of all corporate credits

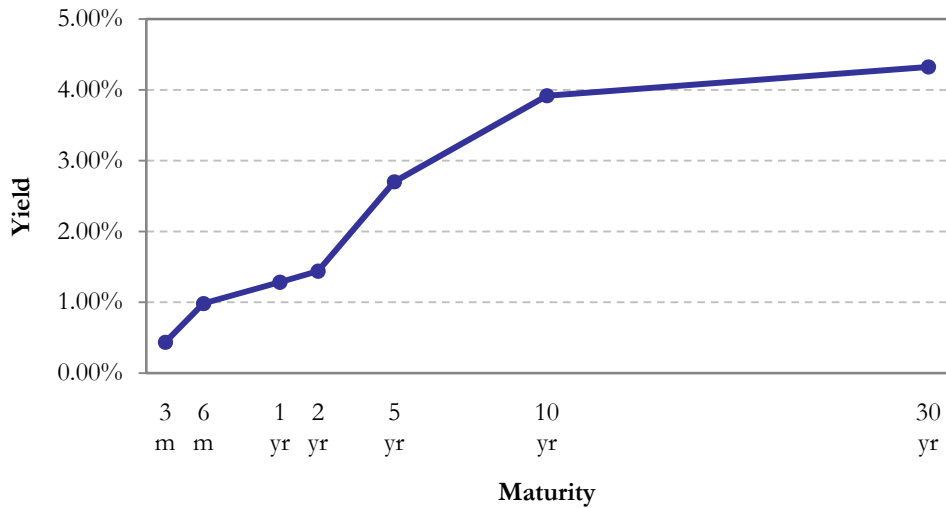


General Fund Portfolio

PFM took several actions in the General Fund portfolio this month, and they are:

- On October 14 and 15, \$21.9 million invested in certificates of deposit and commercial paper matured. We reinvested these funds in Federal Agency obligations. Federal Agency securities have always been considered more liquid than commercial paper and corporate notes, and second in liquidity only to U.S. Treasuries. With liquidity at a premium throughout mid-September and October, and Treasury rates flirting with 10-year lows, the liquidity of Federal Agency securities and the commitment by the U.S. Government to protect Federal Agency debt made this sector the most attractive.
- On November 3rd, we purchased three Federal Home Loan Bank Notes. These purchases were strategically placed in the one-, three-, and four-year areas of the yield curve to take advantage of the yield curve’s recent steepness, which is shown in the chart on the following page:

U.S. Treasury Yield Curve November 3, 2008



Additionally, the spread (the difference in yield) between U.S. Treasury securities and Federal Agency securities had reached record levels. Historically, the spread between Treasuries and Agencies has hovered at 20-30 basis points (0.20%-0.30%). Recently, this spread widened to more than 100 basis points (1.00%). So, the Federal Agency sector was attractive, not only in terms of liquidity and safety, but also from the perspective of yield.

The yields for the District's portfolios at the end of October were as follows:

- General Fund, excluding LAIF: 3.76%
- General Fund, including LAIF: 3.66%
- Special Operating Reserve: 2.82%
- Commercial Paper Debt Service Reserve Fund: 1.15%

MEMORANDUM

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 20, 2008

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

Re: District Investment Report, October 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, Special Operating Reserve, & CP DSR
Combined
As of October 31, 2008

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF		DESCRIPTION	TOTAL	PAR	Cost
		INVESTMENT	YIELD		MARKET VALUE		
ON DEMAND	STATE	VARIOUS	2.71	LOCAL AGENCY INVESTMENT FUND	15,699,218	15,700,000	15,700,000.00
11/01/08	NOTES	05/11/05	4.37	ASSOCIATES CORP NA (CITI) GL SR NOTES	5,000,000	5,000,000	5,298,900.00
11/03/08	CD	07/30/08	2.73	BANQUE NATIONAL DE PARIS (NY) CERT DEPOS	5,000,455	5,000,000	5,000,000.00
11/03/08	CP	08/05/08	2.79	SOCIETE GENERALE NA COMM PAPER	7,069,123	7,070,000	7,021,040.25
11/10/08	CP	08/21/08	2.81	DEXIA DELAWARE LLC COMM PAPER	7,246,825	7,250,000	7,204,488.13
11/13/08	CD	10/14/08	3.50	BANK OF AMERICA NA CERT DEPOS	5,102,743	5,100,000	5,100,000.00
11/14/08	DN	10/15/08	1.25	FHLB DISC NOTE	16,966,361	16,969,000	16,951,323.96
12/22/08	DN	10/01/08	2.39	FHLB DISC NOTE	5,618,422	5,625,000	5,594,506.25
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	3,622,409	3,610,000	3,482,855.80
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,023,438	5,000,000	4,814,050.00
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,188,115	1,225,000	1,092,724.50
09/15/09	NOTES	03/07/08	3.50	HSBC BANK USA GLOBAL SR BANK NOTES	1,948,751	1,990,000	2,001,044.50
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,554,468	4,500,000	4,758,795.00
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,118,750	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,769,870	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO SR MTN	7,639,840	8,000,000	7,806,480.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	4,835,955	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	4,905,790	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,256,250	5,000,000	5,014,550.00
01/09/12	NOTES	02/12/07	5.35	FHLMC GLOBAL NOTES (CALLABLE)	5,022,000	5,000,000	4,988,850.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	4,979,688	5,000,000	4,995,150.00
04/18/12	NOTES	08/27/08	5.40	WELLS FARGO FINANCIAL GLOBAL NOTES	4,900,490	5,000,000	5,117,650.00
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,764,281	3,695,000	3,704,237.50
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	4,973,438	5,000,000	4,857,050.00
04/03/13	NOTES	04/03/08	4.06	FFCB BONDS (CALLABLE)	4,814,063	5,000,000	4,981,500.00
07/15/13	NOTES	08/01/08	4.77	FFCB NOTES (CALLABLE)	5,018,750	5,000,000	4,995,000.00
11/04/08	CP	08/04/08	2.82	CITIGROUP FUNDING INC COMM PAPER (1)	1,469,756	1,470,000	1,459,481.33
11/04/08	CP	08/04/08	2.82	UBS FINANCE DELAWARE LLC COMM PAPER (1)	6,998,838	7,000,000	6,950,000.55
11/24/08	DN	10/22/08	1.15	FHLMC DISC NOTE (2)	6,300,529	6,303,000	6,296,355.59
				TOTAL	162,808,615	163,507,000	162,740,013.36

Notes

'1. Special Operating Reserve

'2. Commercial Paper Debt Service Reserve

DESCRIPTION	INVESTMENT	PORTFOLIO COMPOSITION	YIELD
Banker's Acceptance	-	0.00%	0.00%
Savings and Loan C.D.'s (C.D.)	10,103,198	6.21%	3.12%
Commercial Paper (C.P.)	22,784,542	13.99%	2.81%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	28,885,312	17.74%	1.45%
Agency Coupon Notes	47,593,066	29.23%	4.70%
Corporate Notes	33,785,294	20.75%	5.07%
Municipal Bonds	3,957,985	2.43%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	15,699,218	9.64%	2.71%
Total	162,808,615	100.00%	
	Average Investment Yield of Portfolio		3.66%
	Average Maturity of Portfolio		463

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 posted quarterly on the LAIF website.