



Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 19, 2009

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 \$15,000.00 for the period October 1, 2009, through October 31, 2009 (See Attachment A for details).
- b. The Board of Directors ratifies investments made during the period October 13, 2009, through November 10, 2009 (See Attachment B for additional information).
- c. The Board of Directors authorizes the reinvestment, within the established policy of the Board, of any investments maturing between November 11, 2009, and December 8, 2009, 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 2009 (see Attachment C for details).

Fiscal Impact

Disbursements in the amount of \$15,000.00 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 October 1, 2009, through October 31, 2009. All commitments/expenditures in excess of \$10,000 that have not been previously approved by the Board are listed below.

Vendor	Description	Division	Amount
Whistlestop	RTC Discount Cards	Bus	\$15,000.00
TOTAL			\$15,000.00

ATTACHMENT B

RATIFICATION OF PREVIOUS INVESTMENTS

Summary

During the reporting period October 13, 2009, through November 10, 2009, \$0.00 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
FHLB Notes (Callable)	10/30/09	10/28/11	5,000,000.00	1.50

Market Summary

Quotations as of October 13, 2009, 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.	1.55%	1.95%	2.25%
Treasury Bills	0.07%	0.16%	
Commercial Paper	0.20%	0.30%	



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors



Golden Gate Transportation District Investment Report

November 2009

Economic Summary

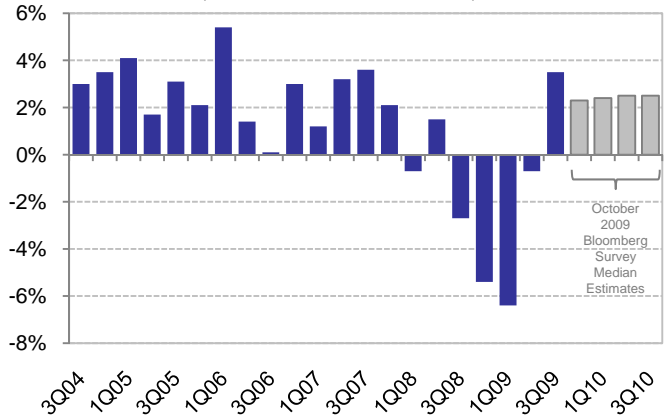
Economy Returns to Growth in Third Quarter

- Recent data suggest that the economy has begun to turn the corner.
 - Initial estimates show that GDP grew 3.5% in the third quarter of 2009, the first quarter of expansion in more than a year.
 - Both the manufacturing and services sectors have expanded in recent months.
 - Capacity utilization has been steadily increasing.
- Concerns persist that government stimulus (through programs including “Cash for Clunkers” and a tax credit to first-time homebuyers) has been responsible for most, if not all, recent growth.
- A sustained recovery will depend largely on the private sector’s ability to generate growth without any government support.

Leading Economic Indicators

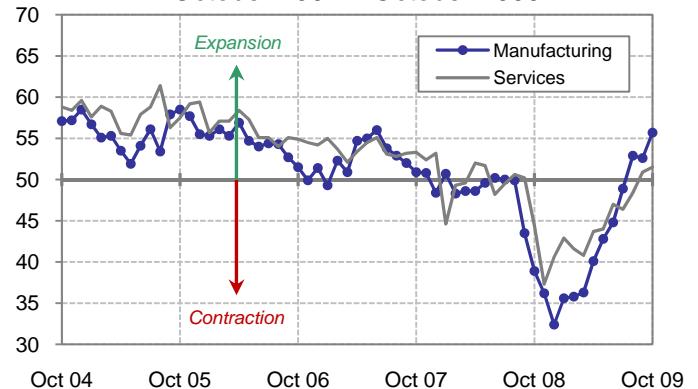
- The Conference Board compiles an index of leading economic indicators (the “Leading Economic Index” or “LEI”) intended to forecast future economic activity.
- Since July, the LEI has predicted the resumption of economic growth.
- The ten indicators included in the LEI are
 - Average work week (*September outlook negative*)
 - Initial unemployment claims (*positive*)
 - New orders/consumer (*positive*)
 - Vendor performance (*positive*)
 - New orders/capital (*positive*)
 - Residential building permits (*negative*)
 - Stock prices (*positive*)
 - Money supply (*positive*)
 - Interest rate spreads (*positive*)
 - Consumer expectations (*positive*)

Change in Gross Domestic Product
Third Quarter 2004 – Third Quarter 2009



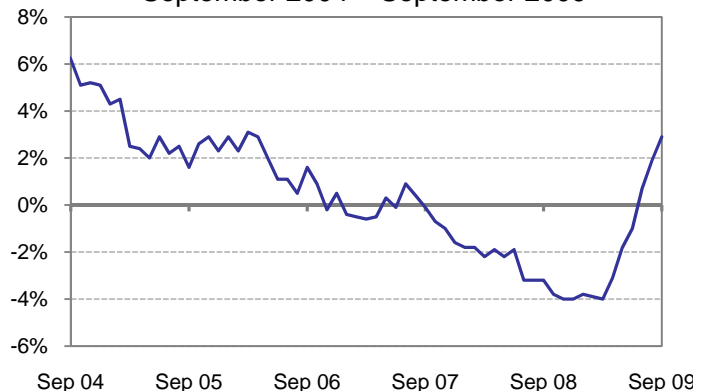
Source: U.S. Department of Commerce – Bureau of Economic Analysis

Institute for Supply Management Indices
October 2004 – October 2009



Source: Institute for Supply Management

Leading Economic Index
Year-over-Year Change
September 2004 – September 2009



Source: Conference Board

Economic Summary

Banks Bounce Back, Aided by Fed Support

- Large banks and financial institutions have posted profits in recent earnings reports following several quarters of losses due to write-downs related to real estate.
- Monetary stimulus and direct government support have been instrumental in returning struggling institutions to profitability.

Asset Write-Downs and Credit Losses Third Quarter 2007 – Third Quarter 2009

Firm	\$ Billions	Firm	\$ Billions
Freddie Mac	119.6	Bank of America	80.0
Fannie Mae	118.3	JPMorgan	57.0
Citigroup	117.8	Merrill Lynch	55.9
Wachovia	101.9	UBS	52.5
AIG	101.4	HSBC	50.1
Total			854.5

Source: Bloomberg

Bank Asset Write-Downs and Credit Losses by Category Third Quarter 2007 – Third Quarter 2009

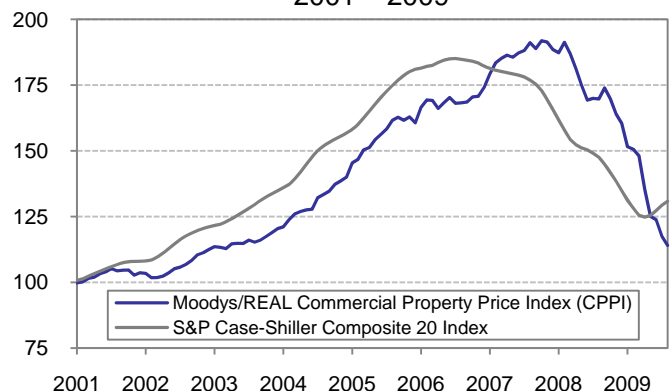
Category of Asset Write-Down or Credit Loss	\$ Billions	%	Category of Asset Write-Down or Credit Loss	\$ Billions	%
Credit costs/loan charge offs/increased provisions	261	39.2%	Monolines	17	2.5%
Other/unspecified/not broken down	114	17.2%	Trading losses	16	2.4%
Uncategorized residential mortgage asset write-downs	66	9.9%	Structured investment vehicles/asset-backed commercial paper	8	1.2%
Collateralized debt obligations	56	8.4%	ALT-A securities	6	0.9%
Subprime RMBS	24	3.6%	Credit default swaps/other derivatives	6	0.9%
Revaluation reserve/other comprehensive income	23	3.5%	Subsidiaries/investments in other firms/corporate debt	5	0.7%
Commercial mortgage-backed securities, commercial real estate	21	3.1%	Auction-rate securities	4	0.6%
Leveraged loans/Collateralized loan obligations	20	2.9%	Non-mortgage asset-backed securities	2	0.3%
Other/uncategorized mortgages/mortgage-related securities	17	2.6%	Prime mortgages/securities	0	0%
Total			665	100%	

Source: Bloomberg

Commercial Real Estate – The Next Shoe to Drop?

- Recent financial turmoil was fueled by plummeting home values and credit losses in residential real estate markets.
- While the worst of the housing crisis appears to be over, commercial real estate markets may continue to experience significant correction in coming months.
- Associated write-downs and credit losses could exert renewed strain on the balance sheets of banks and other lenders.

Commercial vs. Residential Real Estate Values 2001 – 2009

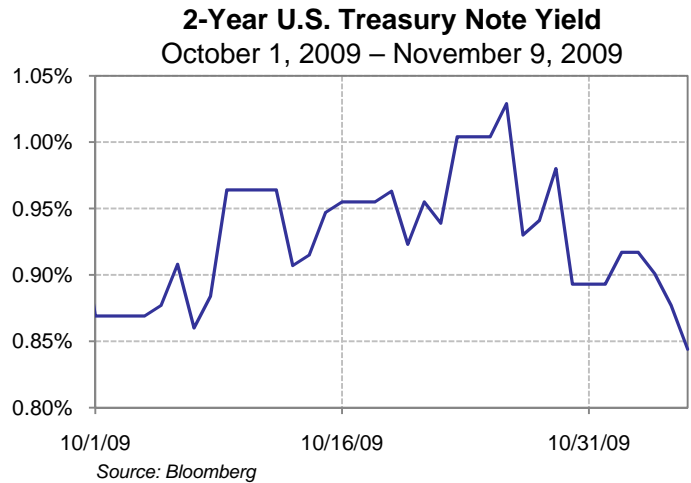


Source: Moody's; Standard & Poor's/Case Shiller

Interest Rate Movements

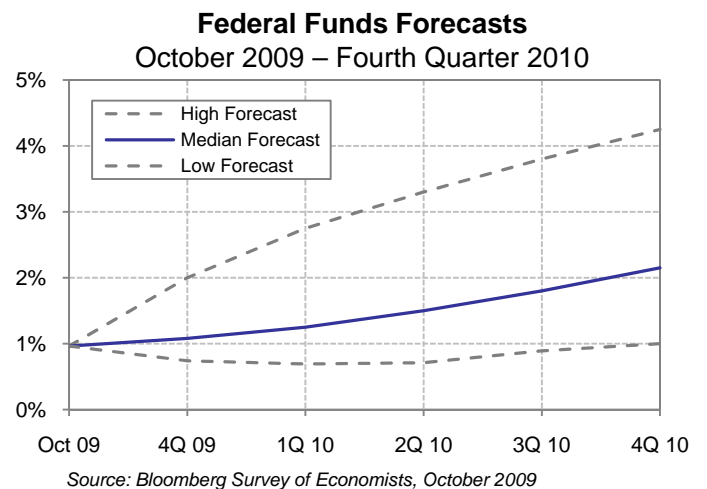
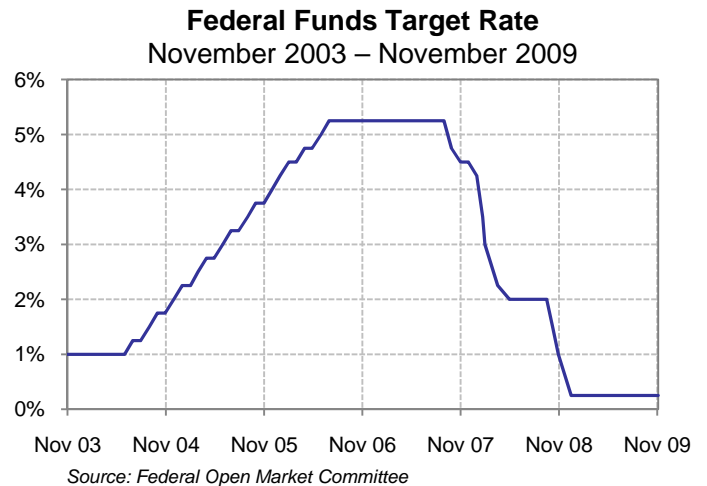
Short-Term Yields Are Low, Range-Bound

- Two-year Treasury notes traded in a range between 0.85% and 1.05% during October, following the pattern of recent months.
- Since the beginning of November, shorter-term yields have fallen, in part due to the release of the FOMC's statement and weaker-than-expected employment reports.



FOMC Remains on Hold

- At its November 4 meeting, the FOMC maintained a target range of 0.00% - 0.25% for Federal Funds.
- As in the past, the FOMC's statement suggested that it is likely to maintain exceptionally low interest rates for an extended period of time.
- "An extended period of time" has been interpreted by most analysts to imply any rate hike is still several quarters away.
- Recent comments by several Fed Governors have given voice to a divergent view that as the economy continues to recover, the Fed will soon have to remove some of its extraordinary support measures.
 - Governor Warsh: "If policymakers insist on waiting until . . . the economy has returned to self-sustaining trend growth . . . they will almost certainly have waited too long."
- As investors come to believe a Fed rate hike is probable in the near future, short-term yields will likely begin to rise from current levels, which are near all-time lows.



Investment Report

General Fund Portfolio

- During October, we took advantage of the relatively attractive yields being offered, and we locked in interest rates before they fell (see 2-year U.S. Treasury note yield chart on page 3).
 - On October 9, we used the proceeds of maturing Federal Home Loan Bank (FHLB) notes to purchase \$835,000 U.S. Treasury notes maturing in October 2010.
 - The Treasury notes have a yield-to-maturity of 0.52%.
 - Comparable-maturity Treasuries currently have a yield of 0.30%.
- We also continued to find value in the callable Federal Agency sector.
 - On October 28, we sold Heller Financial, Inc. notes at a gain and reinvested \$500,000 in callable FHLB notes with a final maturity of October 2011 and callable quarterly.
 - The FHLB notes have a yield-to-maturity of 1.50%.
 - If the notes are called prior to maturity, earnings over the holding period would exceed the earnings if we had invested the funds in Treasuries or Agencies with the same maturity as the call date, and would far exceed the earnings if we had invested the funds in money market securities.
 - If the notes are held to maturity, which is likely given the current low level of interest rates, they will provide a pick-up of roughly 0.30% over non-callable notes with a similar maturity.
 - Callable FHLB securities with comparable maturities are now trading at only 1.25%.
- While maintaining an overall diversified portfolio, we kept the portfolio's concentration in Federal Agency securities because of their excellent credit quality and the additional yield they offer compared to Treasuries.

Portfolio Yield
As of October 31, 2009

Portfolio	Yield
General Fund (excluding LAIF)	3.17%
General Fund (including LAIF)	2.75%

MEMORANDUM

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 19, 2009

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

Re: District Investment Report, October 2009

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, 2009

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF		DESCRIPTION	TOTAL	PAR	Cost
		INVESTMENT	YIELD		MARKET VALUE		
ON DEMAND	STATE	VARIOUS	0.65	LOCAL AGENCY INVESTMENT FUND	29,746,350	29,700,000	29,700,000.00
02/09/10	NOTES	01/13/09	0.76	FHLMC GLOBAL REFERENCE NOTES	8,925,188	8,815,000	9,201,537.75
02/09/10	NOTES	01/12/09	0.76	FHLMC GLOBAL REFERENCE NOTES	6,915,375	6,830,000	7,130,315.10
02/10/10	NOTES	01/09/09	0.79	FNMA GLOBAL BENCHMARK NOTES	4,844,041	4,805,000	4,932,572.75
03/12/10	NOTES	03/03/09	1.09	FHLB TAP BONDS	559,453	550,000	571,851.50
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,106,250	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,943,510	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO (BAC) SR MTN	8,209,650	8,000,000	7,806,480.00
11/15/10	NOTES	10/09/09	0.52	US TREASURY NOTES	870,325	835,000	871,466.02
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	5,229,150	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	5,321,525	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,381,250	5,000,000	5,014,550.00
10/28/11	NOTES	10/28/09	1.50	FHLB NOTES (CALLABLE)	5,015,625	5,000,000	5,000,000.00
12/01/11	NOTES	12/02/08	3.26	MORGAN STANLEY (FDIC) GLOBAL NOTE	9,077,154	8,700,000	8,697,042.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	5,264,063	5,000,000	4,995,150.00
04/18/12	NOTES	08/27/08	5.40	WELLS FARGO FINANCIAL GLOBAL SR NOTES	5,409,770	5,000,000	5,117,650.00
05/15/12	NOTES	11/04/08	3.92	FHLB GLOBAL BONDS	7,767,813	7,000,000	7,417,963.00
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	5,289,063	5,000,000	4,857,050.00
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,936,330	3,695,000	3,704,237.50
07/14/13	NOTES	11/03/08	4.48	FHLB GLOBAL BONDS	10,590,625	10,000,000	9,649,540.00
03/18/14	NOTES	04/03/09	2.96	FHLMC GLOBAL NOTES (CALLABLE)	5,066,595	5,000,000	5,067,000.00
03/18/14	NOTES	04/06/09	3.00	FHLMC GLOBAL NOTES (CALLABLE)	5,066,595	5,000,000	5,057,000.00
04/17/14	NOTES	06/09/09	3.33	FFCB BONDS	5,477,250	5,450,000	5,279,796.50
07/14/14	NOTES	07/15/09	3.23	FFCB NOTES (CALLABLE)	5,124,398	5,118,000	5,118,000.00
08/20/14	NOTES	08/20/09	3.37	FHLMC NOTES (CALLABLE)	5,065,120	5,000,000	4,995,000.00
09/29/14	NOTES	09/29/09	3.13	FNMA NOTES (CALLABLE)	5,010,938	5,000,000	5,000,000.00
12/07/09	CP	10/05/09	0.18	BNP PARIBAS FINANCE INC COMM PAPER (1)	3,549,286	3,550,000	3,548,881.75
12/07/09	CP	10/05/09	0.19	SOCIETE GENERALE NA COMM PAPER (1)	4,998,840	5,000,000	4,998,337.50
12/28/09	CP	09/25/09	0.24	BANK OF AMERICA CORP COMM PAPER (2)	6,345,512	6,348,000	6,344,021.92
				TOTAL	<u>182,107,040</u>	<u>177,396,000</u>	<u>177,629,423.29</u>

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.)	-	0.00%	0.00%
Commercial Paper (C.P.)	14,893,638	8.18%	0.21%
Commercial Paper -TLGP	-	0.00%	0.00%
U. S. Treasury Bills and Notes	870,325	0.48%	0.52%
Agency Discount Notes	-	0.00%	0.00%
Agency Coupon Notes	100,405,968	55.14%	3.09%
Corporate Notes	24,170,095	13.27%	5.27%
Corporate Bonds (FDIC Insured)	9,077,154	4.98%	3.26%
Municipal Bonds	2,943,510	1.62%	5.02%
Long Term CD	-	0.00%	0.00%
LAIF	29,746,350	16.33%	0.65%
Total	<u>182,107,040</u>	<u>100.00%</u>	

Average Investment Yield of Portfolio 2.75%
Average Maturity of Portfolio 628

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.