Agenda Item No. 1

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 26, 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 $20,000.00 for the period January 1, 2009, through January 31, 2009 (See Attachment A for details).

b. The Board of Directors ratifies investments made during the period January 13, 2009, through February 17, 2009 (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 February 18, 2009, and March 16, 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 January 2009 (see Attachment C for details).

Fiscal Impact

Disbursements in the amount of $20,000.00 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 January 1, 2009, through January 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
Chiarolla Communications	Design & Graphic Consulting	District	$10,000.00
Julie Vetter Management	Website Maintenance Services	District	$10,000.00
TOTAL			**$20,000.00**

ATTACHMENT B

RATIFICATION OF PREVIOUS INVESTMENTS

Summary

During the reporting period January 13, 2009, through February 17, 2009, $20,851,000.00 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
FHLMC Global Notes	01/13/09	02/09/10	9,201,537.75	0.76
Societe Generale NA Commercial Paper	01/26/09	03/27/09	6,322,193.00	0.74
BNP Paribas Finance, Inc. Commercial Paper	02/11/09	05/12/09	5,132,780.63	0.95

Market Summary

Quotations as of February 17, 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	0.29%	0.45%	
Commercial Paper	0.42%	0.60%	

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February 13, 2009

Memorandum

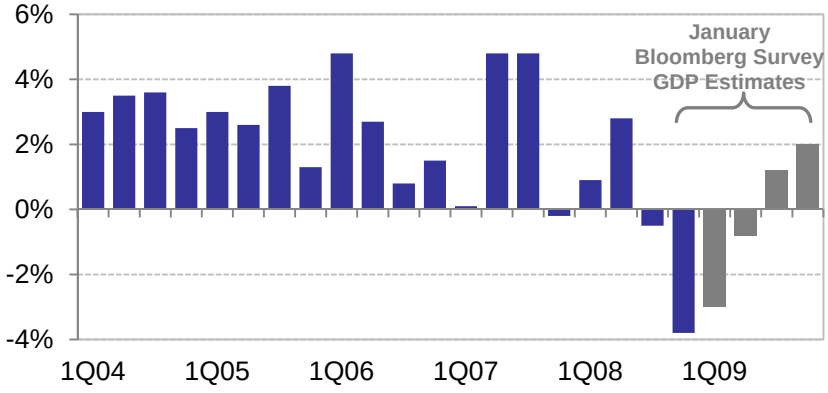
To: Finance-Auditing Committee of the Golden Gate Bridge Highway and Transportation District

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

Re: District Investment Report, January 2009

Initial reports show that the U.S. economy contracted by 3.8% in the fourth quarter of 2008, the largest quarterly decline in output since 1978. Consumers affected by the increasing scarcity of jobs and the reduction in available credit, drastically reduced spending in the second half of 2008. Consumer confidence hit an all-time low in January; consumption fell by 3.8% in the third quarter and 3.5% in the fourth quarter. This has caused economic growth to turn negative. Economists continue to forecast negative growth for at least the first half of 2009.

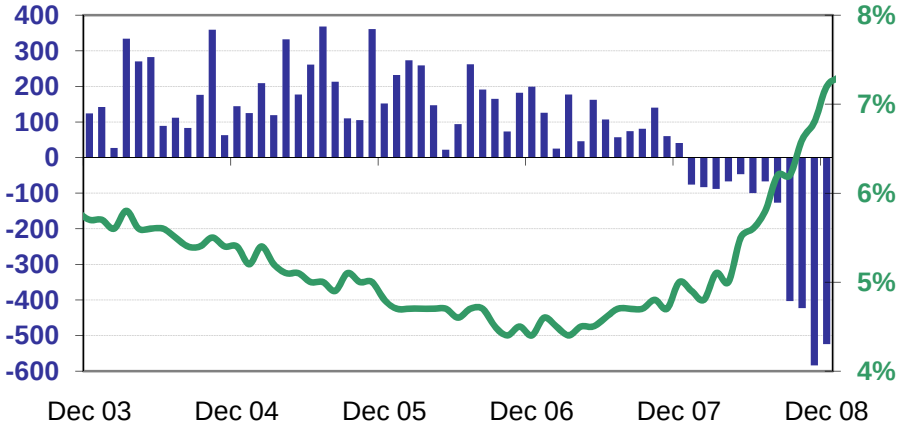
Gross Domestic Product Growth
First Quarter 2004 – Fourth Quarter 2009



Source: Bloomberg

The unemployment rate hit a 16-year high of 7.6% in January, as the economy shed another 598,000 jobs. The unemployment rate is expected to rise above 8% by the second half of the year. Some economists believe the number may even hit 10% by year end.

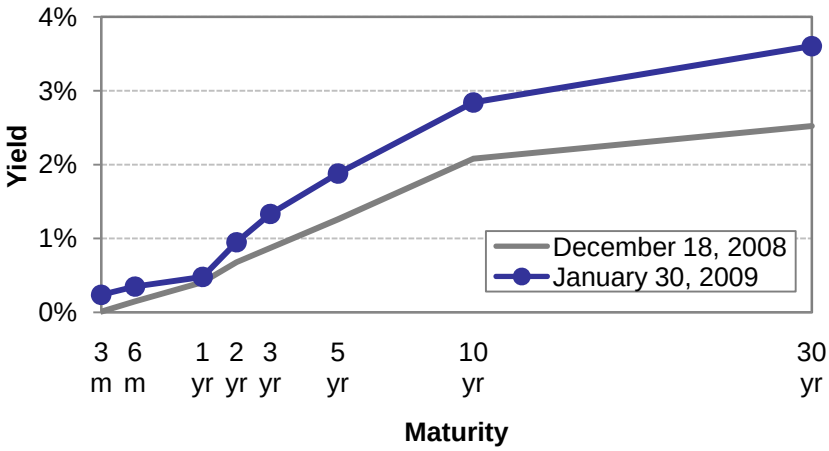
Unemployment Rate vs. Change in Non-Farm Payrolls
December 2003 – December 2009



Source: Bloomberg

The U.S. Treasury yield curve has steepened significantly since mid-December, yields on most maturities were at historic lows. Although long-term rates have experienced the greatest surge, yields on shorter maturities have also risen.

U.S. Treasury Yield Curve
December 18, 2008 vs. January 30, 2009



	12/18/2008	1/30/2009
3 month	0.01%	0.24%
6 month	0.15%	0.35%
1 year	0.41%	0.48%
2 year	0.68%	0.95%
3 year	0.94%	1.33%
5 year	1.26%	1.88%
10 year	2.08%	2.84%
30 year	2.52%	3.60%

Source: Bloomberg

The recent movement in yields has been fueled by concern over the massive amount of debt the Treasury plans to issue in the current fiscal year. On February 2, the Treasury announced that it will need to issue $493 billion in the first quarter of 2009 alone. The Federal Government is expected to borrow at least $2 trillion this year to fund a ballooning budget gap and an array of economic stimulus programs. The national deficit has already been projected to top $1.2 trillion in fiscal year 2009. That figure does not include the $885 billion stimulus package currently being debated in the Senate, the implementation of the second half of the TARP, or the possible creation of a "bad bank" to help deal with toxic assets.

The Treasury-Agency spread hovered in the 75 basis-point range throughout January. In the first half of the month the spread widened as a reduction of foreign investment and a shift in demand to FDIC-guaranteed corporate notes pushed Agency yields higher. The spread narrowed again as the Federal Reserve began purchasing both the direct obligations and mortgage-backed securities of the Agencies.

Difference in Yield Between 2-Year U.S. Treasury and Federal Agency Notes
January 1, 2004 – January 31, 2009

Source: Bloomberg

General Fund Portfolio

We were cautious about extending the duration of the portfolio this month. Although rates rose slightly from their all-time lows, as can be seen in the graph below, we did not want to purchase securities that would suffer significant market losses if rates continue to rise, even if gradually, for the rest of the year. As a result, the duration of the portfolio was shorter at the end of January than the average duration we typically target for the District's portfolio.

2-Year U.S. Treasury Yields
February 1, 2007 – February 5, 2009

Source: Bloomberg

We feel it is prudent to continue to keep the portfolio's duration short for the near term, while the effects of the Government's economic stimulus actions filter through the market, so that the portfolio has the ability to capitalize on any significant rate increases in the intermediate term.

Additionally, we are actively seeking value in FDIC-Guaranteed corporate securities issued through the Temporary Liquidity Guarantee Program (TLGP). On February 10, the FDIC announced that it had extended the deadline for qualified corporate entities to issue FDIC-guaranteed debt from June 30, 2009 to October 31, 2009. As an active participant in the TLGP security market, PFM will continually analyze this sector for competitive yields in order to diversify and add value to the District's portfolio.

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

- General Fund, excluding LAIF: 3.80%
- General Fund, including LAIF: 3.53%
- Special Operating Reserve: 2.31%
- Commercial Paper Debt Service Reserve Fund: 0.74%

MEMORANDUM

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 26, 2009

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

Re: District Investment Report, January 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 January 31, 2009

PORTFOLIO OF INVESTMENTS

MATURITY	SECURITY	DATE OF INVESTMENT	YIELD	DESCRIPTION	TOTAL MARKET VALUE	PAR	Cost
ON DEMAND	STATE	VARIOUS	2.05	LOCAL AGENCY INVESTMENT FUND	21,765,391	21,700,000	21,700,000.00
02/11/09	CP	11/13/08	1.76	GE CAPITAL TLGP COMM PAPER	5,136,399	5,137,000	5,114,525.63
03/03/09	NOTES	02/01/06	4.84	FNMA NOTES (EX-CALLABLE)	581,450	580,000	559,572.40
04/06/09	NOTES	02/01/06	4.82	FFCB BONDS	5,026,563	5,000,000	4,814,050.00
08/15/09	NOTES	05/09/07	5.11	SAN DIEGO CNTY CALIF PENS(FHIC CNTY GTD)	1,205,486	1,225,000	1,092,724.50
09/15/09	NOTES	03/07/08	3.50	HSBC BANK USA GLOBAL SR BANK NOTES	1,986,056	1,990,000	2,001,044.50
10/09/09	NOTES	11/03/08	2.72	FHLB GLOBAL BONDS	7,664,211	7,475,000	7,596,992.00
11/01/09	NOTES	05/22/06	5.52	HELLER FINANCIAL INC (GECC) GLOBAL 144A	4,633,020	4,500,000	4,758,795.00
02/09/10	NOTES	01/12/09	0.76	FHLMC GLOBAL BONDS	7,094,663	6,830,000	7,130,315.10
02/09/10	NOTES	01/13/09	0.76	FHLMC GLOBAL BONDS	9,156,581	8,815,000	9,201,537.75
02/10/10	NOTES	01/09/09	0.79	FNMA GLOBAL NOTES	4,913,113	4,805,000	4,932,572.75
04/19/10	NOTES	05/22/06	5.35	FNMA GLOBAL NOTES (EX-CALLABLE)	5,223,438	5,000,000	4,938,600.00
08/15/10	NOTES	05/09/07	5.02	SAN DIEGO CNTY CALIF PENS(FGIC CNTY GTD)	2,839,710	3,000,000	2,551,230.00
11/04/10	NOTES	05/29/07	5.28	MERRILL LYNCH & CO (BAC) SR MTN	7,929,064	8,000,000	7,806,480.00
02/01/11	NOTES	01/29/07	5.22	GENERAL ELEC CAP CORP GLOBAL SR MTN	5,071,520	5,000,000	4,996,750.00
06/01/11	NOTES	09/12/07	5.19	JPMORGAN CHASE & CO SR NOTES	5,117,590	5,000,000	5,067,400.00
06/28/11	NOTES	07/19/06	5.53	FHLB BONDS	5,423,438	5,000,000	5,014,550.00
12/01/11	NOTES	12/02/08	3.26	MORGAN STANLEY (FDIC) GLOBAL NOTES	8,974,442	8,700,000	8,697,042.00
03/09/12	NOTES	04/30/08	3.53	FHLB TAP BONDS	5,201,563	5,000,000	4,995,150.00
04/18/12	NOTES	08/27/08	5.40	WELLS FARGO FINANCIAL GLOBAL SR NOTES	5,119,880	5,000,000	5,117,650.00
05/15/12	NOTES	11/04/08	3.92	FHLB GLOBAL BONDS	7,756,875	7,000,000	7,417,963.00
06/08/12	NOTES	06/17/08	4.42	FHLB TAP BONDS	5,228,125	5,000,000	4,857,050.00
06/08/12	NOTES	06/12/08	4.31	FHLB TAP BONDS	3,915,545	3,695,000	3,704,237.50
04/03/13	NOTES	04/03/08	4.06	FFCB BONDS (CALLABLE)	5,014,063	5,000,000	4,981,500.00
05/29/13	NOTES	11/03/08	4.48	FHLB GLOBAL BONDS	10,475,000	10,000,000	9,649,540.00
07/15/13	NOTES	08/01/08	4.77	FFCB BONDS (CALLABLE)	5,081,250	5,000,000	4,995,000.00
03/04/09	CP	12/04/08	2.34	CALYON NORTH AMERICA INC COMM PAPER (1)	4,997,995	5,000,000	4,970,937.50
03/04/09	CP	12/04/08	2.26	TOYOTA MOTOR CREDIT CORP COMM PAPER (1)	3,523,675	3,525,000	3,505,171.88
03/27/09	CP	01/26/09	0.74	SOCIETE GENERALE NA COMM PAPER (2)	6,322,094	6,330,000	6,322,193.00
				TOTAL	172,378,195	168,307,000	168,490,574.51

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.)	14,843,763	8.61%	1.64%
Commercial Paper -TLGP	5,136,399	2.98%	1.76%
U. S. Treasury Bills and Notes	-	0.00%	0.00%
Agency Discount Notes	-	0.00%	0.00%
Agency Coupon Notes	87,755,875	50.91%	3.40%
Corporate Notes	29,857,130	17.32%	5.19%
Corporate Bonds (FDIC Insured)	8,974,442	5.21%	3.26%
Municipal Bonds	4,045,196	2.35%	5.05%
Long Term CD	-	0.00%	0.00%
LAIF	21,765,391	12.63%	2.05%
Total	172,378,195	100.00%	

Average Investment Yield of Portfolio	3.37%
Average Maturity of Portfolio	609

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.