

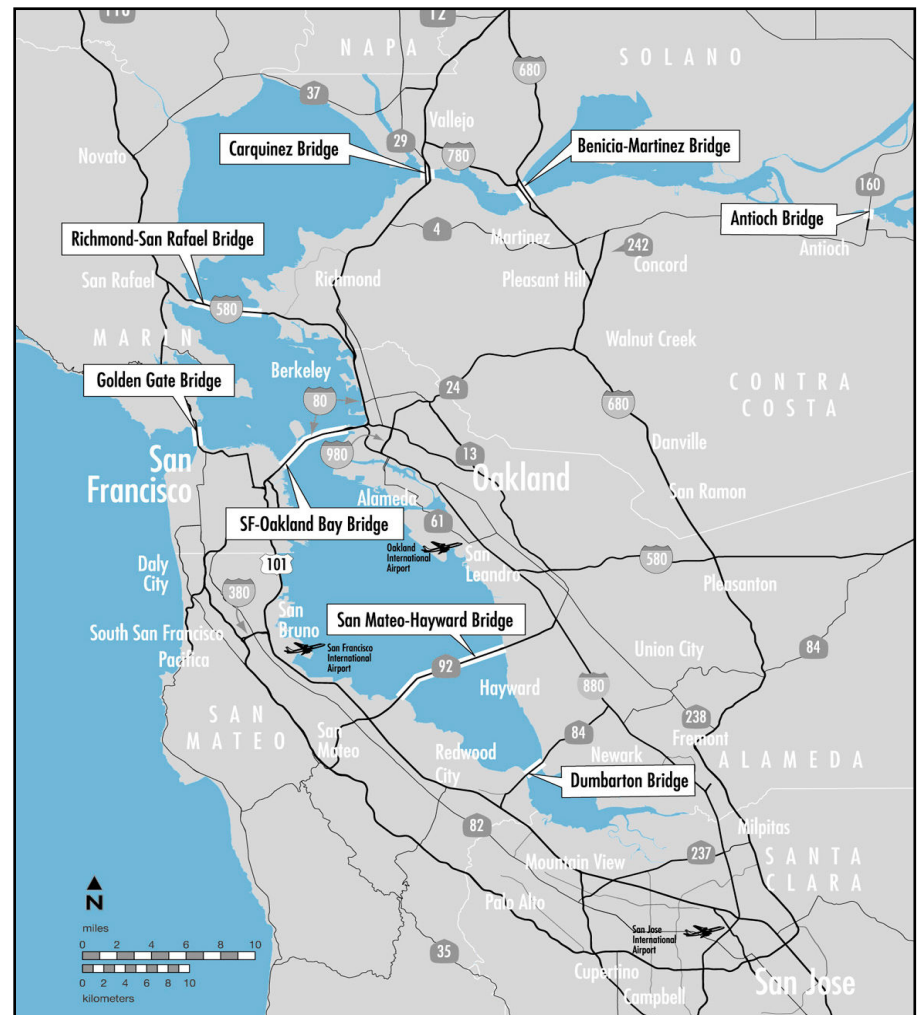
# **SEC Field Hearing: Selected Disclosure Practices**



**September 21, 2010  
Brian Mayhew  
CFO Bay Area Toll Authority**

# Bay Area Toll Authority

- **Responsible for management of 7 state-owned toll bridges**
- **Annual revenue exceeds \$700 million**
- **Operating costs of \$40 million**
- **Capital program exceeding \$12 billion**
- **Debt portfolio**
  - Ratings (Sr.) AA/Aa3/AA-
  - All stable outlook
- **Annual debt service of \$500 million**
- **Swap portfolio \$2.3 billion**
- **Treasury of \$4.3 billion under management**
- **Management goal is to be the best run government enterprise, not the best private company**



# Financial Disclosure



- **Basic financial disclosure**
  - Board review and approval:
    - Annual Financial Statement (CAFR)
      - Audit committee first meeting in October
      - Filed with EMMA system (10/23/2009)
    - Monthly revenue/expense budget-to-actual
    - Monthly treasurers report of all securities
    - Annual debt and investment policy review
      - Includes status of derivative and VRDO portfolios
    - All Board reports and decisions posted on agency website
- **Material event disclosure**
  - Insurance downgrades (short term ratings)
  - Rating recalibration (no change to ratings)
  - Substitution of liquidity (2009)
  - Bond call (2009)

# Post Employment Liabilities

- Employee Pension funding level (AAL)

|        |        |
|--------|--------|
| — 2000 | 146.4% |
| — 2002 | 117.9% |
| — 2006 | 88.8%  |
| — 2007 | 89.1%  |

- OPEB (retirees medical costs)

- Implemented in 2007 with funds transferred into independently held trust

- GASB 45 implemented in 2007

|        |       |
|--------|-------|
| • 2007 | 0.0%  |
| • 2008 | 0.0%  |
| • 2009 | 56.5% |

- Declines in funding result of market changes

- Agency is fully compliant with annual funding requirements and has never underfunded the APC or ARC

# Debt Portfolio

- The debt portfolio looks significantly different now than December 2008.
- Since 2008 BATA has
  - Converted \$2.2 billion in variable and auction rate debt to fixed
  - Terminated over \$1.1 billion in Ambac insured swaps
  - Issued \$2.8 billion in Build America Bonds

|                | 2008   | 2010   |
|----------------|--------|--------|
| Variable       | \$2.9B | \$1.5B |
| Fixed          | \$2.1B | \$2.8B |
| • BAB          | --     | \$2.8B |
| Total          | \$5.0B | \$7.1B |
| Swaps          | \$3.2B | \$2.3B |
| Average All-In | 4.01%  | 4.24%  |

# Future Issues

- **What works:**

- **Accounting standards**
  - Federal (A133)
  - General (GASB)
- **Accounting disclosure**
  - Fund detail
  - Detail footnotes
- **Board transparency**
  - Monthly updates
  - Minutes of all meetings
  - Reports posted to web
- **GAAP Certification**
  - 6,530 GFOA agencies
  - 3,680 Certified
- **Central reporting (EMMA)**

- **What needs work:**

- **Disclosure**
  - Incentives to meet deadlines
  - Consistency in reports
  - Monthly vs annual
  - Timeliness
- **Unfunded liabilities**
  - Infrastructure
  - Pension
  - Post retirement costs
  - Liquidity
- **Reporting**
  - Non-GAAP reporting
  - Audit opinions