



**TO:** Board of Directors

**FROM:** Bill D. Carnahan

**SUBJECT:** Finance Committee Report

**DATE:** February 3, 2014

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A meeting of the Finance Committee was held on February 3, 2014 at the SCPPA office in Glendora.

**Committee members present were:** Brian Beelner (*Anaheim*); Bob Liu (*Burbank*); Rebecca Gallegos (*Colton*); Dave Davis (*Glendale*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); Laura Nomura (*Riverside*); and William Fox (*Vernon*).

**Others present were:** Stephen Cole (*Norton Rose Fulbright*); Dan Hartman (via teleconference), Mike Berwanger, and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Robert Rozanski, Richard Morillo, and Daniel Hashimi (*SCPPA*).

The following are the business matters transacted by the Committee:

**1. Minutes**

The Committee reviewed and approved the minutes for the January 6, 2014 Finance Committee meeting. The Committee recommended forwarding the minutes to the Board for receipt and filing.

**2. Investment Report**

The Committee reviewed the Investment Report for the month and quarter ended December 31, 2013. The Committee recommended forwarding the reports to the Board for receipt and filing.

**3. Apex Power Project**

The Committee received a status update by Public Financial Management (PFM) with respect to the financing of the Apex Power Project, and recommended forwarding two resolutions to the Board for consideration. The resolutions, if adopted, will authorize: (i) the issuance of the bonds, the Indenture, the Preliminary Official Statement/Official Statement, the selection of the underwriters, and other documents in connection with the Apex Power Project financing, and (ii) the Continuing Disclosure required under Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

**4. Magnolia Series 2009-1 and 2009-2 Bonds**

The Committee received a status update by PFM on the responses to a Request for Proposals and Offers for Replacement Letter of Credit or Alternative Structures issued on January 7, 2014 for the Magnolia Power Project A, Refunding Revenue Bonds 2009-1 and 2009-2 (Magnolia RFP).

The Committee conditionally authorized PFM to pursue best and final offers to replace the letters of credit from a shortlist of respondents, and subject to the outcome of such offers, either commence negotiations with two respondents to replace the letters of credit or request a special Finance Committee meeting or conference call to consider an alternative recommendation.

The Committee also discussed the merits of substituting remarketing agents for the 2009-1 and/or 2009-2 series bonds provided that there would be no significant changes in the terms and conditions of the existing remarketing agreements, and no change in remarketing agent fees. The Committee conditionally authorized PFM to begin negotiations with one or both of the successful respondents to the Magnolia RFP, or request a special Finance Committee meeting to consider an alternative recommendation.

**5. Magnolia Power Project**

The Committee received a status report from PFM on the potential impacts of terminating the Magnolia Power Project fixed payor swaps. The Committee recommended forwarding a resolution to the Board for consideration, that if adopted, would authorize the Executive Director to terminate a fixed payor swap associated with either the Magnolia Power Project A, Refunding Revenue Bonds 2009-1 or 2009-2, whichever is more cost-effective, provided that the cost of terminating such swap would be at least breakeven, net of transaction costs.

**6. Market and VRDO Update**

The Committee received a market and VRDO status report from PFM. All variable resets continue to be at very low levels.

**7. Unsolicited Proposals**

The Committee reviewed unsolicited proposals from Barclays and Morgan Stanley. The Committee authorized PFM to conduct additional due diligence with respect to one of the unsolicited proposals, and further discuss such proposal at the next Finance Committee meeting.

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**THE NEXT REGULARLY SCHEDULED  
FINANCE COMMITTEE MEETING WILL BE MARCH 3, 2014.**