



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: February 6, 2012

A meeting of the Finance Committee was held on February 6, 2012, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Rebecca Gallegos (*Colton*); Dave Davis (*Glendale*); Belen Valenzuela (*IID via teleconference*); Shari Thomas (*Pasadena*); and Reiko Kerr and Kevin Milligan (*Riverside*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); Dan Hartman (*via teleconference*), Mike Berwanger and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates, Dick Helgeson and Daniel Hashimi (*SCPPA*).

The following matters are the business transacted by the Committee:

1. Investment Report

The Committee reviewed the Investment Reports for the month and quarter ended December 31, 2011. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. Project Budget Comparison Reports

The Committee reviewed the quarterly Project Budget Comparison Reports for the quarter ended September 30, 2011. The Committee recommended forwarding the reports to the Board for receipt and filing.

3. Magnolia Series 2009-1 and 2009-2 Bonds

Public Financial Management (PFM) updated the Committee on the closing of the liquidity facility replacements. The transaction successfully closed on January 18th. The KBC and Bank of America facilities on the 2009-1 and 2009-2 bonds were replaced by three-year facilities with US Bank and Wells Fargo, respectively. The monetary savings will be \$2.5MM per year.

4. STS Series 2002-A Bonds

PFM discussed the progress on the refunding of STS 2002-A bond issue. The Committee recommended forwarding to the Board two resolutions approving a) the issuance of the refunding bonds, the related legal documents and the Preliminary Official Statement and b) the Continuing Disclosure Resolution relating to such bonds. Also, the Committee decided that due to the par-to-par restrictions on the refunding, the Costs of Issuance will be paid out of the last fiscal year overbilling on the project.

5. Constant Maturity Swaps

The Committee reviewed current valuations and the opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. The Committee decided to have PFM notify the Committee when the following can be achieved: a termination of the STS CMS with an upfront payment of \$3.5MM, net of costs. The Committee recommended forwarding to the Board a resolution authorizing the execution of documents and other actions in connection with the termination of such constant maturity swap at such level, or higher. The floor for termination of the Mead-Adelanto CMS Swap will remain at \$6MM.

6. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The Committee decided that PFM will initiate discussions regarding renewal of the STS LOC that expires in August 2012.

7. Unsolicited Proposals

The Committee reviewed an unsolicited proposal from Morgan Stanley. The Committee decided to follow-up on the proposal at the next Committee meeting.

8. Underwriter RFP

The Committee discussed the responses received from the SCPPA Underwriter RFP. The Committee decided to continue the discussion at the next Committee meeting.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, MARCH 5, 2012, AT 10:00 A.M. AT THE SCPPA OFFICE.**