



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: March 3, 2014

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

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

Others present were: Stephen Cole (*Norton Rose Fulbright*); Dan Hartman, Mike Berwanger, and Will Frymann (*Public Financial Management*); Therese Savery (LADWP/SCPPA); and Bill Carnahan, 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 February 3, 2014 Finance Committee meeting.

2. Investment Report

The Committee reviewed the Investment Report for the month ended January 31, 2014 and related Financial Statements for the Quarter Ended December 31, 2013. The Committee recommended forwarding the reports to the Board for receipt and filing.

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

The Committee received a status update by Public Financial Management (PFM) with respect to the outcome of negotiations with providers of replacement letters of credit and remarketing agents for the Magnolia Power Project A, Refunding Revenue Bonds 2009-1 and 2009-2 (Magnolia Bonds). The Committee recommended forwarding a resolution to the Board that, if adopted, will approve: (i) revised fee structures and term extensions (including amendments to the existing letters of credit and amendments to the existing Reimbursement Agreements) with the two current providers of letters of credit for the Magnolia Bonds; (ii) a Supplemental Remarketing Memorandum and remarketing agent agreements with such providers; and (iii) certain amendments to the Magnolia Indenture to accommodate the new remarketing agents.

The Committee considered the possible termination of one of the two interest rate swaps related to the 2009 Magnolia Bonds, including whether the applicable Magnolia swap (Magnolia Swap) should be terminated with a payment by SCPPA to the related swap counterparty. The Committee recommended forwarding a resolution to the Board that, if adopted, will: (i) provide for termination of the Magnolia Swap with a payment to the swap counterparty in an amount not to exceed \$2,000,000; (ii) authorize the Authority to pay the swap termination payment and all other costs (i.e., including payments to the Authority's consultants) incurred by the Authority in connection with such termination from either moneys on deposit in the Project Stabilization Fund or overcollections from participants of Magnolia Power Project A, and provided further that to the extent such payment and costs are paid from moneys on deposit in the Project Stabilization Fund, the Authority shall replenish the amount withdrawn with savings from the termination of the Magnolia Swap; and (iii) delegate authority to any of the officers of the Authority to execute such transaction.

The Committee received an update by PFM on the results of due diligence performed in connection with an unsolicited proposal from Barclays to convert an existing basis swap to a fixed spread basis swap in connection with the Magnolia Bonds. The Committee did not take any action with respect to such proposal.

4. Market and VRDO Update

The Committee will receive a market and VRDO status report from PFM.

5. Unsolicited Proposals

The Committee reviewed an unsolicited proposal from Citigroup, and did not take any action with respect to such proposal.

**THE NEXT REGULARLY SCHEDULED
FINANCE COMMITTEE MEETING WILL BE APRIL 7, 2014.**