



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: March 5, 2012

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A meeting of the Finance Committee was held on March 5, 2012, at the SCPPA office in Pasadena.

**Committee members in attendance were:** Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); Dave Davis (*Glendale*); Sondra Ainsworth (*IID*); Reiko Kerr and Kevin Milligan (*Riverside*).

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

The following matters are the business transacted by the Committee:

**1. Investment Report**

The Committee reviewed the Investment Report for the month ended January 31, 2012. The Committee recommended forwarding the report to the Board for receipt and filing.

**2. Financial Statements**

The Committee reviewed the Financial Statements for the quarter ended December 31, 2011. The Committee recommended forwarding the statements to the Board for receipt and filing.

**3. Project Budget Comparison Reports**

The Committee reviewed the quarterly Project Budget Comparison Reports for the quarter ended December 31, 2011. The Committee recommended forwarding the reports to the Board for receipt and filing.

**4. STS Series 2002-A Bonds**

PFM (Public Financial Management) discussed the refunding of STS 2002-A bond issue. The bonds were sold on February 28<sup>th</sup>, and generated savings of over 18.25% (\$8.65MM). The transaction was well received by the market, evidenced by the three and four times over subscription on most series. The transaction is scheduled to close April 3, 2012.

## **5. STS Series Bonds**

PFM updated the Committee on the progress of discussions with Wells Fargo regarding the renewal of the Line of Credit that will expire in August 2012. Wells Fargo has indicated an initial positive response to renewing at current market rates. PFM will continue the discussions.

## **6. Constant Maturity Swaps**

The Committee reviewed current valuations and opportunity to terminate both STS and MeadAdelanto Constant Maturity Swaps. Neither one of the swaps has reached the previously decided upon minimum values for termination established by the Committee.

## **7. Market and VRDO Update**

The Committee received a market and VRDO status report from PFM. PFM reviewed the recently published announcement regarding the potential downgrade of certain banks with global capital market operations. The banks that are of concern to SCPPA are Bank of America and Citi.

The Committee discussed the potential collateral posting relating to the two Magnolia Project swaps. Bob Liu will determine any possible future uses for the project's Operating Reserves and communicate those findings to the SCPPA Executive Director. If Operating Reserves cannot be used, or if the posting requirement exceeds \$2MM, the Committee tentatively agreed to a proportional withdrawal of each Participant's Project Stabilization Fund money subject to further discussion upon notification from the counterparties. Concurrently, PFM will approach the two counterparties regarding adjusting the posting threshold levels for the swaps.

## **8. Unsolicited Proposals**

The Committee reviewed unsolicited proposals received from Barclays and Citi. The Committee did not take any action with respect to such proposals.

## **9. Underwriter RFP**

The Committee discussed the responses received from the SCPPA Underwriter RFP. Interviews for selected firms will be held following the next Finance Committee meeting on April 2<sup>nd</sup>.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING  
WILL BE HELD MONDAY, APRIL 2, 2012, AT 8:00 A.M. AT THE SCPPA OFFICE.**