



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: April 2, 2012

A meeting of the Finance Committee was held on April 2, 2012, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (SCPPA); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Peter Huynh (LADWP); Shari Thomas (Pasadena); Dave Davis (*Glendale*); Sondra Ainsworth (IID); and Reiko Kerr (*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 Report for the month ended February 29, 2012. The Committee recommended forwarding the report to the Board for receipt and filing.

2. 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. The Committee will recommend to the Board to renew with Wells Fargo based on the following reasons: 1) limited market of firms willing to extend credit due to the Assured Guaranty insurance; 2) the rate proposed by Wells Fargo is in line with other recent SCPPA Line of Credit transactions and adequately represents the going market rate and 3) legal cost savings of renewing with the incumbent bank compared to a new bank.

3. Magnolia Project Swaps

PFM updated the Committee regarding the issue of collateral posting for the two swaps and recent discussions with the swap counterparties. The Committee decided that in the event of a collateral call by the banks, the project's operating reserve account under the indenture would be utilized. Regarding the Citi backed swap, the Committee recommended forwarding to the Board a resolution that SCPPA novate the swap to the Bank of New York Mellon.

4. Constant Maturity Swaps

The Committee reviewed current valuations and opportunities to terminate both STS and Mead-Adelanto Constant Maturity Swaps. Per PFM, the swaps have not reached the minimum termination levels previously determined by the Committee.

5. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The Moody's potential downgrade of firms with European operations is expected to be released the week of May 14th. PFM will discuss with Bank of America and Citi options for possible termination or replacement (if applicable) of the Palo Verde and STS liquidity facilities. The Committee will further consider refinancing the Palo Verde LOC with fixed-rate bonds. For the Mead-Phoenix/Adelanto Project liquidity facilities expiring September 28th, SCPPA will issue an RFP for replacements.

6. Unsolicited Proposals

The Committee reviewed an unsolicited proposal from Barclays regarding the Mead-Phoenix/Adelanto swaps. The Committee took no action as of now. PFM will monitor rates and discuss swap termination costs with UBS.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, MAY 7, 2012, AT 10:30 A.M. AT THE SCPPA OFFICE.**