



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: May 7, 2012

A meeting of the Finance Committee was held on May 7, 2012, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (SCPPA); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Dave Kolk (Colton); Mario Ignacio (LADWP); Shari Thomas (Pasadena); Steve Lins and Tim Hsu (*Glendale*); Sondra Ainsworth (*IID*); and 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, 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 March 31, 2012. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Magnolia Project

The Committee discussed using the excess proceeds from the 2006 bond proceeds to pay principal and interest on the 2006 bonds. The Committee recommended forwarding to the Board a resolution that provides for such payments.

3. San Juan Project

The Committee recommended forwarding to the Board a reimbursement resolution relating to costs incurred for the SCRs.

4. STS 2000 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. Contract negotiations are in the final stages. The Committee recommended forwarding to the Board a resolution approving, among other things, the Amended and Restated Standby Bond Purchase Agreement and the Amended and Restated Fee Letter Agreement.

5. Palo Verde 2008 Series Bonds

PFM updated the Committee regarding the Letters of Credit to be issued by Barclays Bank PLC to replace Citibank, N.A. as the liquidity provider. The Committee recommended forwarding to the Board a resolution approving, among other things, the Letters of Credit and the Remarketing Memorandum relating to such replacement of the Letters of Credit.

6. Mead-Adelanto and Mead-Phoenix 2008 Series Bonds

PFM updated the Committee regarding the replacement of the four liquidity facilities or other alternative structures. The Committee decided that PFM will continue conversations with UBS and initiate discussions with JP Morgan regarding an extension. The Committee will recommend Barclays as Sr. Manager; JP Morgan and Jefferies as co-managers on any fixed rate bond financing.

7. Constant Maturity Swaps

The Committee reviewed current valuations and the opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. The minimum floor determined by the Committee for the Mead-Adelanto Swap was not met. However, the value of the STS Swap has come very close to the minimum termination value of \$3.5MM previously determined. PFM will monitor the value of the swap and a teleconference will be convened if necessary.

8. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. PFM has initiated conversations with Wells Fargo regarding the STS Line of Credit currently held by Bank of America.

9. Unsolicited Proposals

The Committee reviewed unsolicited proposals from JP Morgan and Morgan Stanley. The Committee took no action with respect to such proposals.

10. Underwriter RFP

The Committee discussed the responses received from and the firms interviewed regarding the SCPPA Underwriter RFP. The SCPPA Underwriter Pool selections have been finalized. The selected firms will be notified this week.

11. SCPPA Administrative & General Cost Allocation

The Committee discussed creating a sub-committee to review the current allocation methodology of the SCPPA A&G costs to members and possible creation of an alternative methodology. The SCPPA Executive Director will be selecting a team of individuals from the Finance Committee with meetings set to start later this month.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
DATE WILL BE DECIDED LATER THIS MONTH.**