



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: July 2, 2012

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

Committee members in attendance were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Dave Kolk (Colton-via teleconference); Peter Huynh (*LADWP*); Shari Thomas (*Pasadena*); Steve Lins and Eric Campbell (*Glendale*); Sondra Ainsworth (*IID*); 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, Julie Felipe 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 months ended April 30 and May 31, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. Financial Statements

The Committee reviewed the Financial Statements for the quarter ended March 31, 2012. The Committee recommended forwarding the statements to the Board for receipt and filing.

3. Magnolia (Project A) Swaps

PFM updated the Committee regarding the Magnolia swaps. The swap with Citibank has been successfully novated to Bank of New York Mellon. PFM has been asked to continue discussions with JP Morgan regarding increasing the collateral posting threshold for an increase in the swap rate. The current collateral posting for the swaps is \$3.41MM and the operating reserve in the project is \$4.712MM. The authorization letters from the participants related to the use of Project Stabilization Funds in the event of posting requirements exceeding operating reserve levels have been received.

4. STS 2000 Series Bonds

PFM updated the Committee on the successful renewal of the Line of Credit with Wells Fargo. The new line, which will expire June 19, 2015 is set at 45bps compared to 80bps for the expired line. The savings is approximately \$500K per year.

5. STS 2001 Series Bonds

PFM updated the Committee on replacing the liquidity provider for the STS Series 2001 bonds. The Committee recommended forwarding to the Board a resolution replacing the liquidity provider and the remarketing agent for such bonds and preparing a remarketing memorandum.

6. Palo Verde 2008 Series Bonds

PFM updated the Committee regarding the Letters of Credit issued by Barclays Bank PLC to replace Citibank, N.A. as the liquidity provider. The new facility, expiring July 1, 2017, will have a fee of 42.5 bps compared to the old facility at 50bps. The savings is \$42K per year.

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

PFM updated the Committee regarding the fixed rate refunding of the bonds. Replacing these VRDB's with fixed rate debt will primarily reduce counterparty and market risk and eliminate collateral posting risk. The Committee recommended forwarding to the Board four resolutions regarding 1) approving the refunding of all series of bonds for the projects and the related documents and 2) the continuing disclosure for such bonds. The Committee will recommend a financing team of Barclays, Ramirez, JP Morgan and Jeffries for the transaction. The Committee will also recommend approaching S&P and Fitch for bond ratings.

8. Constant Maturity Swaps

The Committee reviewed current valuations and the opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. Currently, neither swap value has reached the minimum value as previously determined by the Committee.

9. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. PFM reviewed the recent bank downgrades and SCPPA impacts. Currently, SCPPA does not have any VRDB issues of concern that have not already been addressed or being addressed. PFM also reviewed the remarketing agent performance. SCPPA will continue to monitor remarketing spreads.

10. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Wells Fargo, Ramirez and Morgan Stanley. The Committee took no action with respect to such proposals.

11. SCPPA Financing Guidelines

The Committee discussed SCPPA's policy regarding Guidelines for Financing and Selection of the Financing Team as an update for the incumbent firms and notification for the new firms in light of the

recently selected SCPPA Underwriters Pool. A revised version of the document will be circulated in the coming weeks for review by the next Finance Committee Meeting.

12. SCPPA Administrative & General Cost Allocation

The Executive Director updated the Committee on the actions of the sub-committee created to review the current allocation methodology of the SCPPA A&G costs to members. The sub-committee is still reviewing allocation options, but set a deadline of the September 2012 Board Meeting for a final recommendation.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
DATE WILL BE ON AUGUST 6, 2012.**