



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: August 6, 2012

A meeting of the Finance Committee was held on August 6, 2012, at the SCPPA office in Glendora.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Russell Dowell (*Anaheim*); Bob Liu (*Burbank*); Rebecca Gallegos (*Colton*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); Steve Lins and Eric Campbell (*Glendale*); Reiko Kerr and Kevin Milligan (*Riverside*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); Dan Hartman, Mike Berwanger (via teleconference) and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates, Dick Helgeson and Steve Homer (*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 June 30, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. Project Budget Comparison Reports

The Committee reviewed the Project Budget Comparison Reports for the quarter ended March 31, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

3. Magnolia (Project A) 2009-2 Swap

PFM updated the Committee on the collateral posting position for the 2009-2 swap with JP Morgan and related items. The Committee recommended sending to the Board a resolution increasing the threshold amount of the swap from \$15MM to \$20MM and executing and delivering the related agreements to affect such increase.

4. STS 2001 Series Bonds

PFM updated the Committee on replacing the liquidity provider for the STS Series 2001 bonds. Negotiations on the SBPA language are progressing and transaction is scheduled to be completed by the end of August.

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

PFM updated the Committee regarding the fixed rate refunding of the bonds. The current market numbers indicate net present value savings of \$1.2MM. The Committee decided to pay the arbitrage rebate following the closing. The related swaps with UBS on these projects will also be terminated. Pricing is scheduled for August 15th; and closing on September 12th.

6. Constant Maturity Swaps

The Committee reviewed current valuations and opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. The termination value of the SIFMA swap with JP Morgan is currently valued at \$4.1MM, which is above the \$3.5MM floor as previously determined by the Committee and the Board. However, JP Morgan is indicating a lower valuation. The Committee directed PFM to confirm the valuation with JP Morgan and e-mail the results prior to moving forward with the termination.

7. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. A variable resets are trading well. PFM briefed the Committee on the LIBOR manipulation scandal in the banking industry and possible SCPPA swap impacts. PFM also discussed possible impacts of the Dodd-Frank legislation.

8. Unsolicited Proposals

The Committee reviewed an unsolicited proposal from Morgan Stanley. The Committee decided to continue to monitor the market regarding the proposal.

9. SCPPA Administrative & General Cost Allocation

The Director of Finance & Accounting 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 met on July 31st to discuss the three alternative methodologies created at the prior meeting. The group determined to move forward with one methodology to be possibly finalized at a meeting near the end of August.

10. Closed Session

The Committee met in closed session to discuss a potential legal matter. No action was taken.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
DATE WILL BE ON SEPTEMBER 10, 2012.**