



**TO:** Board of Directors  
**FROM:** Bill D. Carnahan  
**SUBJECT:** Finance Committee Report  
**DATE:** September 10, 2012

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A meeting of the Finance Committee was held on September 10, 2012, at the SCPPA office in Glendora.

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

**Others present were:** Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman (via teleconference) and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates 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 ended July 31, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

**2. STS 2001 Series Bonds**

Public Financial Management (PFM) updated the Committee on replacing the liquidity provider for the STS Series 2001 bonds. A few minor open items remain, but the transaction is expected to close the first week of October.

**3. STS 2000 Series Bonds**

PFM and Bond Counsel updated the Committee on a possible amendment to the Standby Bond Purchase Agreement for the STS 2000 bonds in light of the negotiations for the STS 2001 Standby Bond Purchase Agreement. The Committee recommended forwarding to the Board a resolution to amend the Standby Bond Purchase Agreement regarding credit rating downgrades.

**4. Mead-Adelanto and Mead-Phoenix 2008 Series Bonds**

PFM updated the Committee regarding the fixed rate refunding of the bonds. The pricing was held on August 15<sup>th</sup>. The transaction refunded the projects' 2008 VRDBs and terminated the associated synthetic fixed interest rate swaps, eliminating SCPPA's swap counterparty and letter of credit exposure. A present value savings of \$1.97MM and an all-in TIC of 1.48% was achieved. The transaction is expected to close September 12<sup>th</sup>.

**5. Magnolia (Project A) 2009-2 Swap**

PFM updated the Committee on the collateral posting position for the 2009-2 swap with JP Morgan and the increase of the threshold amount of the swap from \$15MM to \$20MM. The increase of the posting threshold was completed August 17<sup>th</sup>. All prior posted funds have been returned to SCPPA. Current valuation is a negative \$17.7MM.

The project participants approved reserving \$3M of the 2011-12 overbillings in case of possible cost overruns related to the November 2012 overhaul.

**6. Constant Maturity Swaps**

The Committee reviewed current valuations and the opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. PFM has engaged JP Morgan in discussions regarding the PFM valuation of the STS swap as \$4.6MM compared to their valuation of \$3MM. The Committee decided to continue more in-depth conversation on the valuation details with JP Morgan.

**7. Market and VRDO Update**

The Committee received a market and VRDO status report from PFM. All VRDBs are trading well.

**8. Unsolicited Proposals**

The Committee reviewed unsolicited proposals from Wells Fargo, RBC, Jeffries, Barclays and Morgan Stanley. The Committee did not take any action with respect to such proposals.

**9. SCPPA Administrative & General Cost Allocation**

The Director of Finance & Accounting updated the Committee on the actions of the subcommittee created to review the current allocation methodology of the SCPPA A&G costs to members. A meeting is scheduled for September 13<sup>th</sup> to finalize the subcommittee's recommendation.

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**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING  
DATE WILL BE ON OCTOBER 1, 2012.**