



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: September 12, 2011

A meeting of the Finance Committee was held on September 12, 2011, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Mario Ignacio (*LADWP*); Dave Davis (*Glendale*); Belen Valenzuela (*IID*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

Others present were: Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates, Dick Helgeson, Steve Homer and Daniel Hashimi (*SCPPA*).

1. Investment Reports

The Committee reviewed the Investment Report for the month ended July 31, 2011. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Project Budget Comparison Reports

The Committee reviewed the Project Budget Comparison Reports for the quarter ended June 30, 2011. The Committee decided that the Palo Verde Project over-collection will be kept in the project fund for expected capital costs. The Committee recommended forwarding the reports to the Board for receipt and filing.

3. Milford II Project Update

The Committee received an update from Public Financial Management (PFM) with respect to the Milford II Project financing closing. The financing closed on August 25th. The All-in TIC was 3.796%, which represented a reduction of \$4.8MM present value debt service costs from the initial planned pricing.

4. **STS 2002 Series A, Magnolia 2003-1 and Hoover 2001 Bonds**

PFM discussed the refunding opportunities for the STS 2002, Magnolia 2003 and Hoover 2001 bond issues. The Committee decided to move forward with the Magnolia refunding and will recommend to the Board that Morgan Stanley and Ramirez be the financing senior and co-senior underwriters. Regarding the STS refunding, the Committee will revisit the issue in January to alleviate any forward purchase penalty. The Committee decided against pursuing the Hoover refunding.

5. **STS 2001 Series A**

PFM updated the Committee on the progress on the liquidity facility replacement. All consents and appropriate notice requirements have been obtained. The transaction is expected to close on September 15th.

6. **STS 2000 Series**

PFM discussed the possible swap novation from Citi to Wells Fargo. The Committee decided to have PFM notify Citi of our acceptance of the novation on the basis of no costs incurred by SCPPA to complete the transaction.

7. **Market and VRDO Update**

The Committee received a market and VRDO status report from PFM. The reset rates for the Dexia backed STS 2001 facility remain an issue due to the Dexia downgrade. The Committee decided that PFM could initiate discussions with KBC and Bank of America regarding an early renewal of the Magnolia Series 2009 LOCs at a discount from present levels.

8. **Unsolicited Proposals**

The Committee reviewed unsolicited proposals from Bank of America, Citi, First Southwest, Goldman Sachs, JP Morgan, and Morgan Stanley. The Committee decided to discuss the Morgan Stanley proposal in detail next month. Reiko Kerr will provide additional detail regarding the Goldman Sachs proposal.

9. **Private Use Policies**

The Committee discussed the SCPPA Private Use policies on certain tax-exempt bonds. The SCPPA Finance Manager, General Counsel and Bond Counsel will develop a policy for those projects without an existing policy, which will be discussed next month.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, OCTOBER 3, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**