



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: October 1, 2012

A meeting of the Finance Committee was held on October 1, 2012, via telephone conference.

Committee members on the telephone were: Bill Carnahan (*SCPPA*); Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Rebecca Gallegos (*Colton*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); and Reiko Kerr (*Riverside*).

Others on the telephone were: Bob Tang (*Riverside*); Stephen Cole (*Fulbright & Jaworski*); Mike Berwanger, Dan Hartman and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates, Daniel Hashimi and Rick Morillo (*SCPPA*).

The following matters are the business transacted by the Committee:

1. Investment Report

The Committee reviewed the Investment Reports for the month ended August 31, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. Renewable Projects: "Change in Law" Risk

The Assistant General Counsel updated the Committee on issues in Renewable Project Agreements related to the risk of the future change in law that could possibly alter the project's renewable category. In an effort to alleviate or limit these risks, SCPPA is, for example, cost sharing provisions with developers.

3. STS 2000 and 2001 Series Bonds

Public Financial Management (PFM) updated the Committee on the revision of the Standby Bond Purchase Agreement for STS Series 2000 bonds and replacing the liquidity provider for the Series 2001 bonds. The replacement of the liquidity provider for Series 2001 bonds is expected to close on October 3. The revision of the Standby Bond Purchase Agreement is underway and progressing as expected.

4. Constant Maturity Swaps

PFM updated the Committee regarding the STS CMS swap valuation discussions with JP Morgan. JP Morgan and PFM have agreed on a value of approximately \$4.4MM, which exceeds the \$3.5MM termination threshold previously approved by the Board. The swap will be terminated on October 3rd.

5. Market and VRDO Update

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

6. Unsolicited Proposals

The Committee reviewed an unsolicited proposal from Goldman Sachs. The Committee decided to have PFM engage Goldman Sachs in further discussions regarding the proposal.

7. 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 to finalize its recommendation to the Board will be held near the end of October or the beginning of November.

8. Closed Session

The Committee went into Closed Session with legal counsel regarding the potential initiation of litigation pursuant to subdivision (c) of Section 54956.9 of the California Government Code (one potential case). No action was taken.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
DATE WILL BE ON NOVEMBER 5, 2012.**