



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: October 3, 2011

A meeting of the Finance Committee was held on October 3, 2011, at the SCPPA office in Pasadena.

Committee members in attendance were: Bill Carnahan (*SCPPA*); Russell Dowell (*Anaheim*); Bob Liu (*Burbank*); Amer Jakher (*Colton*); 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 (*via telephone*) and Will Frymann (*Public Financial Management*); Therese Savery (*LADWP/SCPPA*); Vernon Oates, Dick Helgeson, and Daniel Hashimi (*SCPPA*).

1. Investment Reports

The Committee reviewed the Investment Report for the month of August 2011. The Committee recommended forwarding the report to the Board for receipt and filing.

2. Magnolia Series 2003-1 Bonds

Public Financial Management (PFM) discussed the progress on the refunding of Magnolia 2003-1 bond issue. The first draft of the POS will be distributed by October 6th; Rating Agency calls are expected to be on October 25, with estimated closing on December 7th.

The Committee reviewed and recommended forwarding to the Board two resolutions approving a) the issuance of the refunding bonds, the related legal documents and the Preliminary Official Statement and b) the Continuing Disclosure Resolution relating to such bonds. The Committee decided to have PFM approach S&P and Moody's for initial discussions regarding the refunding and size of the Debt Service Reserve funding (DSRF). The Committee decided on level savings structure for the refunding.

3. Magnolia Series 2009-1 and 2009-2 Bonds

PFM updated the Committee on the letters of credit expiring next year. SCPPA retains the right to terminate the letters of credit at no cost. The Committee decided to distribute this week an RFP for replacing the letters.

4. STS 2001 Series A

PFM updated the Committee on the closing of the liquidity facility replacement. The transaction closed on September 15th with a three-year LOC from Bank of America at a price of 49 bps.

5. STS 2000 Series

PFM discussed the progress on the swap novation from Citi to Wells Fargo. Citi has proposed to absorb all costs of the novation. Wells Fargo is currently working on revising the existing swap documentation understanding that no material changes will be allowed.

6. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The replacement of Dexia with Bank of America on the STS 2001 bonds resulted in trading levels declining from 2% to .25%. The Committee decided to have PFM look into the possible suspension of the CMS swaps with STS and Mead-Adelanto resulting in upfront cash payments that would realize the original estimated benefit of the swaps over their lives.

7. Unsolicited Proposals

The Committee reviewed the unsolicited proposal from Barclays, but did not take any action.

8. Private Use Policies

The Committee recommended the amending of the Private Use Policies and Procedures document in place to comply with current IRS guidelines and include an annual member affirmation procedure. The Committee will consider the related Board resolution for the November 2011 meeting.

9. SCPPA Bond and Tax Counsel RFP

The Committee decided on November 14th for interviews for the respondents to the May 2011 Bond and Tax Counsel RFP.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, NOVEMBER 7, 2011, AT 10:30 A.M. AT THE SCPPA OFFICE.**