



**TO:** Board of Directors  
**FROM:** Bill D. Carnahan  
**SUBJECT:** Finance Committee Report  
**DATE:** November 5, 2012

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A meeting of the Finance Committee was held on November 5, 2012, at the SCPPA office in Glendora.

**Committee members present were:** Ed Zacherl (*Anaheim*); Bob Liu (*Burbank*); Rebecca Gallegos (*Colton*); Eric Campbell (*Glendale*); Mario Ignacio (*LADWP*); Shari Thomas (*Pasadena*); Reiko Kerr and Laura Nomura (*Riverside*);

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

**3. Mead-Phoenix/Mead-Adelanto 1994 Series Bonds**

SCPPA Bond Counsel and Public Financial Management (PFM) discussed the change in index and possible amendment to the respective Indentures. PFM will follow-up with JP Morgan this week regarding index selection.

**4. STS 2000 and 2001 Series Bonds**

PFM updated the Committee on the revision of the Standby Bond Purchase Agreement for STS Series 2000 bonds and the replacement of the liquidity provider for the Series 2001 bonds. Wells Fargo has accepted the revisions and the Credit Rating Agencies are expected to approve as well. On October 3<sup>rd</sup>, SCPPA successfully closed the replacement of the Bank of America SBPA on the STS Series 2001A Bonds with a facility from Wells Fargo Bank.

**5. Constant Maturity Swaps**

The Committee reviewed current valuations and the opportunity to terminate the Mead-Adelanto Constant Maturity Swap (CMS). PFM reviewed the recent termination of the STS CMS. On October 5, SCPPA successfully terminated the STS CMS with JP Morgan. The \$4,030,000 termination payment resulted in a 94% realization of the originally projected savings. The Mead-Adelanto CMS is currently valued at \$2.1MM, far below the termination value of \$6MM or higher as previously approved by the Board.

**6. Market and VRDO Update**

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

**7. Unsolicited Proposals**

The Committee reviewed unsolicited proposals from Barclays, Goldman Sachs and Morgan Stanley. The Committee requested further research by PFM and Bond Counsel regarding the Goldman Sachs proposal.

**8. 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. The next meeting to finalize the subcommittee's recommendation will be scheduled after the next Finance Committee Meeting.

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**THE NEXT REGULARLY SCHEDULED  
FINANCE COMMITTEE MEETING WILL BE ON DECEMBER 3, 2012.**