



**TO:** Board of Directors

**FROM:** Bill D. Carnahan

**SUBJECT:** Finance Committee Report

**DATE:** November 8, 2011

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A meeting of the Finance Committee was held on November 7, 2011, at the SCPPA office in Pasadena.

**Committee members in attendance were:** Bill Carnahan (*SCPPA*); Russell Dowell (*Anaheim*); Bob Liu (*Burbank*); Amer Jakher (*Colton*); Dave Davis (*Glendale*); Belen Valenzuela (*IID via teleconference*); Mario Ignacio (*LADWP*); and Jerry Rogers (*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, Steve Homer (*SCPPA*), and George Morrow (*Azusa*).

The following matters are the business transacted and considered by the Committee:

**1. FARECal**

George Morrow, Utilities Director of Azusa Light and Power, made a presentation on the Financing Authority for Resource Efficiency in California (FARECal) to the Committee. No action was taken.

**2. Investment Reports**

The Committee reviewed the Investment Reports for the month and quarter ended September 30, 2011. The Committee recommended forwarding the reports to the Board for receipt and filing.

**3. Project Budget Revisions**

The Committee discussed proposed project budget revisions for certain projects. The Committee decided to have the SCPPA Finance and Accounting Manager obtain Participant decisions on disposition of project overbillings via e-mail.

**4. Magnolia Series 2009-1 and 2009-2 Bonds**

PFM updated the Committee on the RFP responses for the letters of credit expiring next year. The RFP was distributed to 19 firms, with 8 responding with aggressive pricing. The winning bidders for each facility will be contacted today. Documents are expected to be ready for Board approval on December 15, and possibly finalized by December 19.

**5. STS 2000 Series**

PFM discussed the progress on the swap novation from Citi to Wells Fargo. The transaction is progressing as expected. The Committee recommended sending to the Board a Resolution approving such novation and the necessary documents.

**6. Magnolia Project**

The Committee decided to mail the POS related to pending refunding this week. The Committee decided to have PFM monitor the Present Value savings on the refunding and suspend activity if the savings declines below 6.5%. The Committee decided that the escrow funding will be limited to State and Local Government Securities (SLGS) and Treasuries in light of the GASB 7 accounting treatment of the defeasance. The Committee decided to hold-off further discussion regarding the balance of the project's funds until next meeting.

**7. Constant Maturity Swaps**

The Committee reviewed current valuations and the opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. The Committee decided to monitor the STS CMS valuation levels, and have PFM notify the Committee when the following can be achieved: a termination of the Mead Adelanto CMS with an upfront payment of \$6MM, net of costs. The Committee recommended forwarding to the Board a resolution authorizing the execution of documents and other actions in connection with the termination of such constant maturity swap at such level, or higher.

**8. Market and VRDO Update**

The Committee received a market and VRDO status report from PFM. The trading levels for the Magnolia 2009-1 VRDO are high due to the downgrade of KBC.

**9. Unsolicited Proposals**

The Committee reviewed unsolicited proposals from Barclays, Citi, Ramirez, US Bank and Wells Fargo. The Committee decided to review the US Bank proposal at a later time.

**10. Private Use Policy**

The Committee discussed the proposed amendments to the private use policy adopted by the Board on December 16, 2010. The Committee recommended sending to the Board a resolution amending such policy and the sending of the questionnaire to all Participants once per year.

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**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING  
WILL BE HELD MONDAY, DECEMBER 5, 2011, AT 10:30 A.M. AT THE SCPA OFFICE.**