



TO: Board of Directors

FROM: Bill D. Carnahan

SUBJECT: Finance Committee Report

DATE: December 5, 2011

A meeting of the Finance Committee was held on December 5, 2011, at the SCPPA office in Pasadena.

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

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

The following matters are the business transacted by the Committee:

1. **Investment Report**

The Committee reviewed the Investment Reports for the month ended October 31, 2011. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. **Financial Statements**

The Committee reviewed the Financial Statements for the quarter ended September 30, 2011. The Committee recommended forwarding the statements to the Board for receipt and filing.

3. **Magnolia Project**

PFM updated the Committee on the final numbers for the refunding that priced on November 15th and is expected to close December 7th. The Committee also discussed uses for the excess bond proceeds.

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

PFM updated the Committee on the progress of replacing the letters of credit expiring next year. SCPPA is moving forward with a replacement with US Bank and Wells Fargo for the Series 2009-1 and 2009-2, respectively. The transaction is expected to close January 4, 2012. The Committee recommended forwarding to the Board a Resolution approving the Letter of Credit Agreements, the Reimbursement Agreement and the Remarketing Memorandum.

5. STS 2000 Series

PFM discussed the closing of the swap novation from Citi to Wells Fargo. SCPPA successfully completed the novation on November 18th. All costs were absorbed by Citi.

6. Constant Maturity Swaps

The Committee reviewed current valuations and the opportunity to terminate both STS and Mead-Adelanto Constant Maturity Swaps. The Mead-Adelanto swap value is estimated at \$4.4MM, below the \$6MM level for termination determined by the Committee. No action was taken. PFM will continue to monitor the STS swap valuations.

7. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. PFM reviewed the recent S&P bank downgrades and possible SCPPA impacts. The Magnolia Project resets continue to trend high due to the credit rating related issues with KBC and Bank of America.

8. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Bank of America, Citi and JP Morgan. No action was taken. The Committee recommended drafting a resolution authorizing the working group to prepare documents and other authorizing actions in connection with the forward refunding (long settlement timing) of the STS 2002 Series A.

9. Private Use Policy

The Committee discussed the timing of sending the Private Use Questionnaire to members for the annual certification. The Committee decided the first questionnaire will go out next month. In the future, the questionnaire will be sent out September 1st of each year to be completed by December 31st.

10. Moody's Rating Methodology Changes

PFM reviewed the new Moody's JPA rating methodologies with the Committee and possible rating impacts on SCPPA as well as SCPPA members.

11. SCPPA Bond and Tax Counsel RFP

The Committee decided to continue with the contracts of Fulbright & Jaworski as Bond Counsel; Curls Bartling as Co-Bond Counsel and Nixon Peabody as Special Tax and Bond Counsel. A three-year contract with a three-year extension will be recommended.

12. Underwriter RFP

The Committee discussed the draft of the RFP for the SCPPA Banker Pool. The Committee decided to have all revisions to the draft due by Thursday, December 7th.

**THE NEXT REGULARLY SCHEDULED FINANCE COMMITTEE MEETING
WILL BE HELD MONDAY, JANUARY 9, 2012, AT 10:30 A.M. AT THE SCPPA OFFICE.**