



TO: Board of Directors
FROM: Bill D. Carnahan
SUBJECT: Finance Committee Report
DATE: February 4, 2013

A meeting of the Finance Committee was held on February 4, 2013, 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*); Laura Nomura and Reiko Kerr (*Riverside*); Bill Fox (*Vernon*)

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 and Rick Morillo (SCPPA).

1. Investment Report

The Committee reviewed the Investment Reports for the month ended November 30 and the month and quarter ended December 31, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

2. Financial Statements

The Committee reviewed the Quarterly Financial Statements for the quarter ended September 30, 2012. The Committee recommended forwarding the report to the Board for receipt and filing.

3. Project Budget Comparison Reports

The Committee reviewed the Project Budget Comparison Reports for the quarter ended September 30, 2012. The Committee recommended forwarding the reports to the Board for receipt and filing.

4. Gas Prepay Project Unsolicited Proposal

PFM (Public Financial Management) updated the Committee on the progress of the debt restructuring as proposed by Goldman Sachs. Tax issues have been vetted by Fulbright & Jaworski. Goldman Sachs will be finalizing the restructuring with AIG and American General Life through the end of

February, 2013. Rating agency discussions and consent solicitation documentation are expected to occur in through March, with the final closing expected in April, 2013.

5. Assured Downgrade Update

PFM updated the Committee on the recent Moody's downgrade of Assured Guaranty and the various impacts to SCPPA. The primary impact is to the reset levels for the STS 2000 and 2001 Series Bonds. Trading levels are 10-15 bps higher than before the downgrade, and higher resets are expected in the near future. The Committee decided to monitor the STS 2000 Series swap due to the current negative valuation. The Committee decided to have PFM initiate discussions with UBS on swap termination valuation for the STS 2001 Series. Also, PFM will issue an RFP for underwriter services.

There are possible secondary impacts to investment contracts with the Palo Verde and Magnolia Projects. The contract relating to Palo Verde is not collateralized by Assured Guaranty. PFM will review this investment agreement. The investment contract relating to the Magnolia Project is collateralized and therefore does not pose a risk at this time.

6. Market and VRDO Update

The Committee received a market and VRDO status report from PFM. The STS VRDBs are resetting higher due to the Assured Guaranty downgrade. The remaining VRDBs are performing well.

7. Unsolicited Proposals

The Committee reviewed unsolicited proposals from Bank of America/Merrill Lynch and Barclays. The Committee decided to have PFM issue an RFP (as described above) with respect to certain recommendations in the proposals.

8. Hoover Uprating Project

The Director of Finance and Accounting updated the Committee on the recent meeting of the Hoover Dam participants regarding the refinance of the Visitor Center debt and related options. The participants decided to create two working groups, finance and legal, to vet the various issues with the refinance. Currently at issue is the billing structures and enforcement for non-payment.

**THE NEXT REGULARLY SCHEDULED
FINANCE COMMITTEE MEETING WILL BE ON MARCH 4, 2013.**