

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

August 15, 2011

Chair Grunfeld called the meeting to order at 8:30 a.m. in Committee Room 2-145 at Metropolitan's Headquarters.

Members present: Chair Grunfeld, Vice Chair Blake, Directors Barbre, De Jesus, Evans, Grandsen, Hawkins, Little, and Wunderlich.

Members absent: Directors Heidel and Lewinger.

Other Board Members present: Directors Ackerman, Brick, Brown, Dick, Edwards, J. Murray, Record, Steiner, and Wright.

Staff present: Arakawa, Bennion, Brooks, Coffey, DeBacker, Donhoff, Goldstein, J. Gonzales, J. Green, D. Jones, Kassa, Kightlinger, Man, Marumoto, Neal, Norris, Odwak, Reukema, Riss, Scully, Skillman, Soper, Sotoodeh, Stites, Upadhyay, Waade, and E. Young.

1. OPPORTUNITIES FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

None

2. APPROVAL OF THE MINUTES OF THE MEETING OF THE FINANCE AND INSURANCE COMMITTEE HELD JULY 11, 2011

Approved

Moved: Hawkins

Seconded: Little

3. MANAGEMENT REPORTS

a. Subject: Report of investment activity

Presented by: Treasurer Roger Marumoto

Mr. Marumoto discussed the investment portfolio for the month of July, summarizing the investment income, portfolio durations, and investment performance of the short-term portfolios and long-term portfolios.

The Second Quarter 2011 Investment Review report, prepared by Disabato Advisors, was distributed to the committee.

The breakdown of the various categories of securities is provided each month in the Treasurer's Monthly Report.

b. Subject: Financial Highlights

Presented by: Interim Chief Financial Officer DeBacker

The July 31 swap report was distributed to the committee. Mr. DeBacker reported that the mark-to-market is about \$150 million negative, which is \$16 million more than last month, due to lower interest rates. Metropolitan increased the collateral posting with Morgan Stanley to \$11 million.

Staff has identified up to \$140 million of water revenue bonds that may be refunded to generate almost \$10 million of cash flow savings over the next 16 years. Staff is preparing to price the transaction at the end of August.

Mr. DeBacker discussed the water sales, revenues, expenditures, O&M expenditures, capital financing expenditures, and reserve fund balance.

4. OTHER MATTERS

- 5E Subject: Tax levy for fiscal year 2011/12
- 5E-1 Report on list of certified assessed valuations for fiscal year 2011/12 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 10, 2011
- 5E-2 Adopt resolution establishing the tax rate for fiscal year 2011/12

Presented by: Interim Chief Financial Officer DeBacker

Motion Adopt the CEQA determination and adopt a resolution levying taxes for the fiscal year commencing July 1, 2011 and ending June 30, 2012 for the purposes of The Metropolitan Water District of Southern California to adopt the .0037 percent secured property tax rate for fiscal year 2011/12.

Moved: Wunderlich Seconded: Evans

The motion carried unanimously.

Mr. DeBacker advised that the final assessed valuations were received. The certified assessed valuations show a slight increase of 0.9 percent. Metropolitan's tax rate will remain at .0037 percent of assessed valuations for fiscal year 2011/12. A voting entitlements comparison summary was distributed to the committee.

5. CONSENT CALENDAR ITEMS – ACTION

None

6. OTHER BOARD ITEMS - ACTION

- 8-4 Subject: Adopt final resolution for annexation and impose water standby charge for Annexation No. 95 to Calleguas Municipal Water District and Metropolitan

Presented by: Sr. Engineering Technician Ethel Young

- Motion Option #1
 Adopt the CEQA determination and
- a. Adopt resolution granting Calleguas' request for approval of Calleguas Annexation No. 95, concurrently to Metropolitan and Calleguas, and establishing Metropolitan's terms and conditions for the annexation; conditioned upon approval by the Ventura Local Agency Formation Commission, and upon receipt of annexation fee of \$27,304.42; and
 - b. Adopt resolution to impose water standby charge at a rate of \$9.58 per acre or per parcel of less than one acre, within the proposed annexation area.

Moved: Little Seconded: De Jesus

Director Grandsen abstained

The motion carried.

Ms. Young gave an overview of the annexation request and a description and summary of the parcels.

8-5 Subject: Authorize additional payment for calendar year 2011 charges for water from the State Water Project

Presented by: Sr. Resource Specialist David Reukema

- Motion Option #1
 Adopt the CEQA determination and authorize additional payment of up to \$34 million for a total of \$607 million to DWR in calendar year 2011 for Metropolitan's SWP charges.

Moved: De Jesus Seconded: Grandsen

The motion carried unanimously.

Mr. Reukema discussed the 2011 SWP payment authorization, changed conditions, 2011 variable charge assumptions, and the 2011 SWP charges.

7. BOARD INFORMATION ITEMS

None

8. COMMITTEE ITEMS

- a. Subject: Update on 2010 Long Range Finance Plan
Presented by: Unit Manager June Skillman

Ms. Skillman discussed the two primary objectives of the Long Range Finance Plan—to provide member agencies and the Board with a view of the next ten years and consolidate and affirm financing policies. Ms. Skillman summarized financial policies, rate refinement process, statement of common interest included in the Strategic Policy Principles of 1999, and the Strategic Planning Steering Committee principles for selecting the preferred rate structure. Ms. Skillman also discussed the extensive rate structure review in October 2001 proposal, background and outcomes of recent discussions, upcoming issues, issues on the table, the LRFp/rate refinement timeline, and the next steps.

- b. Subject: Oral report on Lehman Brothers Corporate Bonds
No oral report was given.

- c. Subject: Update on KPMG Audit
Presented by: Chris Ray, Partner, KPMG

Mr. Ray discussed KPMG's planned scope and areas of audit emphasis, timing of the audit, deliverables, and timing of issuance.

9. FOLLOW-UP ITEMS

None

10. FUTURE AGENDA ITEMS

None

The next meeting will be held on September 12, 2011.

The meeting adjourned at 9:50 a.m.

Aaron Grunfeld
Chair