

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

May 7, 2012

Chair Grunfeld called the meeting to order at 9:00 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, Lewinger, Little, Millard, Wilson, and Wunderlich.

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

Staff present: Bennion, Boronkay, Breaux, Brooks, DeBacker, Dunn, Goldstein, J. Gonzales, J. Green, Man, Marumoto, Norris, Odwak, Philp, Riss, Scully, Skillman, Soper, Upadhyay, Waade, E. Young, and Zinke.

1. OPPORTUNITY 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 APRIL 9, 2012

Approved

Moved: Little

Seconded: Lewinger

3. MANAGEMENT REPORTS

a. Subject: Report of investment activity

Presented by: Treasurer Roger Marumoto

Mr. Marumoto advised that the First Quarter 2012 Investment Review report, prepared by Disabato Advisors, has been posted on the website.

Mr. Marumoto discussed the investment portfolio for the month of April detailing the portfolio durations, and investment performance of the short-term portfolios and long-term portfolios.

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

- b. Subject: Financial Highlights

 Presented by: Chief Financial Officer Gary Breaux

Mr. Breaux advised that Metropolitan priced \$98.6 million of Water Revenue Refunding Bonds. The bonds were issued as SIFMA Index Notes with a three-year scheduled mandatory tender, and will allow Metropolitan to eliminate the need for bank liquidity support for \$100 million of variable rate water revenue bonds and to realize cost savings. The three-year SIFMA notes were placed with a spread to the SIFMA Weekly Index of plus 35 basis points.

4. CONSENT CALENDAR ITEMS — ACTION

None

5. OTHER BOARD ITEMS — ACTION

- 8-2 Subject: Adopt resolution to continue Metropolitan's Water Standby Charge for FY 2012/13

 Presented by: Unit Manager June Skillman

Ms. Skillman gave an overview of the standby charge program, the Board's previous rate actions, and staff's recommendation.

Director Lewinger advised that the San Diego County Water Authority supports Item 8-2 and requested that the following be included in the record:

"At its April 2012 meeting, the Metropolitan Board of Directors adopted water rates and charges, including the Readiness-to-Serve (RTS) charge, for calendar years 2013 and 2014. The Water Authority delegation opposed the adoption of the water rates and charges, and objected to the cost allocation by Metropolitan, including the RTS Charge, for the reasons stated in the documents and reports that it transmitted

to Metropolitan for inclusion in the administrative record on March 12 and April 10, 2012.

Item 8-2 on this month's board agenda provides member agencies the continued ability to have a portion of their RTS Charge offset through Metropolitan's collection of water standby charges within their respective service areas. A vote in favor of Item 8-2 does not waive any Water Authority objections to Metropolitan's water rates and charges or cost of service allocation."

Motion: Adopt the CEQA determination and the resolution to continue the water standby charge for fiscal year 2012/13.

Motion Carried Approved
Moved: Lewinger Seconded: Evans

8-3 Subject: Approve Appropriation No. 15475 to pay costs of issuance of Water Revenue Bonds

Presented by: Manager of Financial Services Keith Norris

Mr. Norris gave an overview of the proposed appropriation, the fees that will be paid from funds available in the appropriation, and staff's recommendation.

Director Wilson advised that the San Diego County Water Authority supports Item 8-3 and requested that the following be included in the record:

"The San Diego delegation supports steps taken to reduce costs and take advantage of market opportunities to lower the financing costs of the Capital Investment Plan (CIP) and reduce risks associated with managing Metropolitan's debt and interest rate swap portfolios, all as described in Item 8-3. A vote in support of Item 8-3 reflects this intent and is separate and apart from the issues and concerns expressed in our April 9 letter to the Board regarding Metropolitan's Official Statement."

Motion: Adopt the CEQA determination and approve Appropriation No. 15475 to pay costs of issuance of Water Revenue Bonds, Water Revenue Refunding Bonds, other costs associated with securing liquidity for expiring variable rate debt liquidity facilities, and interest rate swap transactions, and authorize reimbursement of expenses paid from the General Fund by bond proceeds. The appropriation will expire on May 31, 2014.

Motion Carried Approved
Moved: Wilson Seconded: Lewinger

6. BOARD INFORMATION ITEMS

9-1 Subject: Renewal status of Metropolitan's Property and Casualty
Insurance Program

Presented by: Unit Manager Drew Boronkay

Mr. Boronkay gave an overview of the excess/specialty coverage, self-insured retention, property insurance, self-insured claims, workers' compensation, and premiums outlook for 2012/13.

7. COMMITTEE ITEMS

a. Subject: Oral report on proposed refunding of bonds and unwinding of
swaps

Presented by: Manager of Financial Services Keith Norris

Mr. Norris gave an overview of revenue bond debt outstanding, basic debt issuance options to Metropolitan, and the proposed financing plan. He also discussed the market opportunity and benefits to Metropolitan of the proposed bond refunding and unwinding of various interest rate swaps which will enable Metropolitan to realize savings, provide cost certainty, and mitigate future risks associated with the variable rate debt portfolio.

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

The next meeting will be held on June 11, 2012.

The meeting adjourned at 10:05 a.m.

Aaron Grunfeld
Chair