

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

June 11, 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 Evans, Grandsen, Hawkins, Lewinger, Little, Millard, Wilson, and Wunderlich.

Members absent: Directors Barbre and De Jesus.

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

Staff present: Bennion, Boronkay, Breaux, Brooks, Dunn, Goldstein, J. Gonzales, J. Green, Man, Mares, Marumoto, Norris, Odwak, Philp, Riss, Scully, Skillman, Soper, Sotoodeh, O. Tucker, 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 MAY 7, 2012

Approved

Moved: Wilson

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

Mr. Breaux advised that staff reviewed the request at last month's meeting by Director Lewinger for a report showing costs by rate design element. He stated that Metropolitan's accounting system shows costs compared to budget and is not set up to break down the costs by rate element. Director Lewinger expressed an interest in receiving more information on this matter in the future.

4. CONSENT CALENDAR ITEMS — ACTION

- 7-1 Subject: Approve up to \$1.091 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program

No presentation was given.

Motion: Adopt the CEQA determination and approve up to \$1.091 million to renew or replace the Aircraft Liability, Crime, Property Damage, Excess General Liability Policies, and Excess Workers' Compensation Policy maintaining the existing \$5 million self-insured retention, coverage limits of \$50 million; and obtain coverage for the employees in Washington, D.C.

Motion Carried Approved
 Moved: Hawkins Seconded: Millard

5. OTHER BOARD ITEMS — ACTION

8-1 Subject: Approve Metropolitan's annual Statement of Investment Policy and delegation of authority to the Treasurer to make investments on behalf of Metropolitan

Presented by: Treasurer Roger Marumoto

Mr. Marumoto discussed the Investment Policy authority to invest and staff's recommendation.

Motion: Adopt the CEQA determination and
a) Approve the Statement of Investment Policy; and
b) Delegate authority to invest to the Treasurer for Fiscal Year 2012/13.

Motion Carried Approved
Moved: Wilson Seconded: Hawkins

8-8 Subject: Authorize the execution and distribution of Official Statements in connection with issuance of the Water Revenue Refunding Bonds, 2012 Series C, 2012 Series D, and 2012 Series E, and amendment and termination of interest rate swaps

Presented by: Manager of Financial Services Keith Norris and
Assistant General Counsel Sydney Bennion

Mr. Norris gave an overview of the proposed refunding bonds and amendment and termination of interest rate swaps. Ms. Bennion gave an overview of the Official Statements and staff's recommendation.

Director Lewinger stated that 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 and reduce risks associated with managing Metropolitan's debt and interest rate swap portfolios, all as described in Item 8-8. A vote in support of Item 8-8 reflects this intent and is separate and apart from the issues and concerns expressed in SDCWA's April 9 and February 13 letters to the Board regarding Metropolitan's Official Statement.

Motion: Adopt the CEQA determination and
a) Approve the draft Official Statements substantially in the form attached to the board letter, with changes approved by the General Manager and General Counsel;
b) Authorize the General Manager, or any designee of the Ad Hoc Committee, to execute the Official Statements;

- c) Authorize distribution of the Official Statements in connection with issuance of the bonds; and
- d) Authorize the Ad Hoc Committee or its designee to approve and the Chief Financial Officer to execute amendment and termination of interest rate swaps (in whole or in part) related to the subject refunding.

Motion Carried Approved
Moved: Millard Seconded: Wunderlich
Directors Lewinger and Wilson voted no

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

None

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

The next meeting will be held on July 9, 2012.

The meeting adjourned at 9:44 a.m.

Aaron Grunfeld
Chair