

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

October 8, 2012

Vice Chair Barbre called the meeting to order at 9:00 a.m. in Committee Room 2-145 at Metropolitan's Headquarters.

Members present: Vice Chair Barbre, Directors Babcock, De Jesus, Evans, Grandsen, Hawkins, Little, Millard, Wilson, and Wunderlich.

Members absent: Chair Grunfeld and Director Lewinger.

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

Staff present: Bennion, Breaux, Brooks, Burman, Burton, Coffey, DeBacker, Dunn, Goldstein, J. Gonzales, J. Green, Kightlinger, Man, Mares, Marumoto, Norris, Odwak, Patterson, Pellegrini, Philp, Riss, B. Robertson, Scully, Skillman, Soper, Sotoodeh, Upadhyay, Waade, and Wolfe.

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

No members responded.

2. APPROVAL OF THE MINUTES OF THE MEETING OF THE FINANCE AND INSURANCE COMMITTEE HELD SEPTEMBER 10, 2012

Motion Carried Moved: Director Little Seconded: Director Hawkins

Votes: Unanimous

3. MANAGEMENT REPORTS

a. Subject: Report of investment activity

Presented by: Treasurer Roger Marumoto

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

b. Subject: Financial Highlights

Presented by: Chief Financial Officer Gary Breaux and Controller
Tom DeBacker

Mr. Breaux reported that Metropolitan priced \$60 million Water Revenue Refunding Bonds to realize cash flow savings and reduce certain risks associated with managing the variable rate debt portfolio. The refunding bonds were issued with an all in-true interest cost of 2.56 percent, and an average life of 11 years. Savings are estimated to be about \$360,000 per year on average which is \$3.85 million on a net present value basis.

Mr. DeBacker presented the financial summary for the first quarter of fiscal year 2012/13, which ended September 30, 2012, with the comparison of projected actuals to budget for the fiscal year. He discussed year-to-date and projected revenues, expenses, cumulative water sales/exchange volumes and financial ratios, and described the September 30 cash and investment balances.

4. CONSENT CALENDAR ITEMS — ACTION

None

5. OTHER BOARD ITEMS — ACTION

8-3 Subject: Approve the form of the amended and restated Purchase Orders; and authorize amendment of section 4122 of the Administrative Code

Presented by: Unit Manager June Skillman

- Motion: Adopt the CEQA determination and
- a. Approve the Amended and Restated Purchase Order, substantially in the form of Attachment 1 to the board letter with changes approved by the General Manager and General Counsel, to provide a two-year extension of existing member agency Purchase Orders;
 - b. Authorize the General Manager to execute the Amended and Restated Purchase Order with member agencies opting to extend their Purchase Orders; and
 - c. Authorize amendment of section 4122 of the Administrative Code as shown in Attachment 4.

Vice Chair Barbre advised that a letter was received from the SDCWA regarding item 8-3. The letter was distributed to each committee member.

Ms. Skillman summarized the changed terms in the Amended and Restated Purchase Order and Administrative Code and the rationale for the two-year extension.

Director Wilson stated that the SDCWA is prepared to recommend to the SDCWA board of directors renewal of the purchase order commitment for two years under the existing terms and conditions. The SDCWA is unable to recommend execution of the new form of purchase order which contains unexplained changes to the existing terms and conditions.

Motion Carried Moved: Director Hawkins Seconded: Director Millard
No: Director Wilson

Votes: 9 = Yes; 1 = No

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

- a. Subject: Review of GASB 68, Accounting and Financial Reporting for Pensions

Presented by: Controller Tom DeBacker

Mr. DeBacker described the new pension accounting rule and opined that similar rules for other post employment benefits are being discussed by the Governmental

Accounting Standards Board. Using the pension funding progress as of June 30, 2010, Mr. DeBacker described the financial impact to Metropolitan. Using the

OPEB funding progress as of January 1, 2011, he further described the potential impact to Metropolitan if accounting rules similar to pensions are adopted for OPEB.

Several questions and comments were raised by directors and staff responded. The updated CalPERS actuarial report will be received in approximately two weeks. The updated information will be provided as part of the next quarterly financial report.

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

The next meeting will be held on November 5, 2012.

Meeting adjourned at 9:50 a.m.

Brett Barbre
Vice Chair