

**METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**MINUTES**

**FINANCE AND INSURANCE COMMITTEE**

**January 7, 2013**

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 Barbre, Directors Babcock, De Jesus, Hawkins, Lewinger, Little, Pringle, and Wunderlich.

Members absent: Directors Evans, Millard, and Wilson.

Other Board Members present: Directors Ackerman, Dick, Edwards, Griset, Morris, Mudd, J. Murray, Peterson, Record, Steiner, and Wright.

Staff present: Ardalan, Bennion, Breaux, Brooks, Clairday, DeBacker, Dunn, Ghaly, Goldstein, J. Gonzales, J. Green, Kightlinger, Man, Marumoto, Muir, Norris, Odwak, R. Patterson, Pellegrini, 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 DECEMBER 10, 2012**

Motion Carried      Moved: Director Hawkins      Seconded: Director Little  
No: Director Lewinger

Votes: 8 = Yes; 1 = No

Director Lewinger requested the December 10, 2012 minutes be amended to include a transcription of his request for information about tracking revenues from rate components

against actual expenditures, and the response that was provided by the General Counsel's office. Ms. Bennion responded that it is Metropolitan's practice to summarize meetings in the minutes, not transcribe them. A recording of the meeting is available on Metropolitan's website.

### 3. MANAGEMENT REPORTS

a. Subject: Report on investment activity

Presented by: Treasurer Roger Marumoto

Mr. Marumoto presented the investment portfolio for the month of December detailing the portfolio durations and investment performance of both short-term and long-term portfolios.

b. Subject: Financial highlights

Presented by: Chief Financial Officer Gary Breaux

Mr. Breaux advised that Metropolitan priced \$111.9 million Water Revenue Refunding Bonds to realize cash flow savings and to mitigate bank risks associated with a portion of Metropolitan's variable rate debt program. The transaction closed on December 27, 2012.

Mr. Breaux clarified a question that came up at the December OP&T Committee meeting on the pension liability.

Mr. Breaux clarified a misunderstanding from the discussion of fiscal 2012 year-end results presented at the December meeting. Metropolitan's financial reports compare actual expenditures to budgeted costs, as presented to this committee in December. Metropolitan's reports and accounting records do not retrospectively analyze individual rate components against actual expenditures or show costs recovered from each rate components. Counsel for the Water Authority wrote a letter in December interpreting our December discussion to mean that Metropolitan is in possession of such analysis and is refusing to produce it to the Water Authority in the rate litigation. To the contrary, Metropolitan does not prepare and does not possess such analysis. Copies of the letter from the Water Authority counsel and the response from Metropolitan's counsel have been distributed to directors.

c. Subject: 2013 Financing plans

Presented by: Manager of Financial Services Keith Norris

Mr. Norris compared the revenue bond debt outstanding as of December 31, 2011 to the revenue bond debt outstanding as of December 31, 2012. He summarized the 2012 financings, gave a snapshot of the 2013 financing plans, and responded to various questions from the committee.

#### **4. CONSENT CALENDAR ITEMS — ACTION**

None

#### **5. OTHER BOARD ITEMS — ACTION**

None

#### **6. BOARD INFORMATION ITEMS**

9-1 Subject: Six-month Financial Review

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

Mr. Breaux presented the fiscal year-to-date revenues, sales, and expenses through December 31, 2012. He discussed the projected FY 2012/13 net revenues and the projected reserve fund balance.

Mr. DeBacker followed-up with fiscal year projections of revenues and expenses compared to budget. He described the projected June 30 financial ratios and provided the December 31 balance of cash and investments on hand.

#### **7. COMMITTEE ITEMS**

None

#### **8. FOLLOW-UP ITEMS**

None

**9. FUTURE AGENDA ITEMS**

None

The next meeting will be held on February 11, 2013.

Meeting adjourned at 10:00 a.m.

Aaron Grunfeld  
Chair