

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

July 8, 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 Apodaca, Babcock, De Jesus, Evans, Kurtz, Lewinger, Little, Pringle, Touhey, and Wunderlich.

Members absent: Directors Vasquez and Wilson.

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

Staff present: Bennion, Breaux, Brooks, Clairday, Coffey, DeBacker, Goldstein, J. Gonzales, J. Green, Ivey, Kightlinger, Man, Marumoto, Norris, Odwak, Patterson, D. Phan, Philp, Pitman, Riss, B. Robertson, Scully, Skillman, Soper, Sotoodeh, Upadhyay, Wolfe, and Young.

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 JUNE 10, 2013

Motion Carried Moved: Director Babcock Seconded: Director Evans

Votes: Unanimous

3. MANAGEMENT REPORTS

a. Subject: Report on investment activity

Presented by: Treasurer Roger Marumoto

Mr. Marumoto reported that during June, Standard and Poor's downgraded certain securities issued by Hartford Life from A- to BBB+. Metropolitan holds two of these securities with a total market value of \$2.2 million in the long-term portfolio managed by one of the outside managers. The securities have relatively short maturities as both mature in less than one year. It is the manager's intent to hold these positions to maturity as their analysis indicates that there is relatively minimal risk of Hartford failing to redeem these securities when they mature.

Mr. Marumoto presented the investment portfolio for the month of June 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 discussed the cumulative water sales, fiscal year revenues, and fiscal year expenditures.

Several questions and comments were raised by directors regarding Other Post Employment Benefits (OPEB) and PAYGO and staff responded.

4. CONSENT CALENDAR ITEMS — ACTION

None

5. OTHER BOARD ITEMS — ACTION

8-1 Subject: Approve the selection of a third party Other Post Employment Benefits (OPEB) trust provider; and authorize execution of an agreement(s) with the board-approved provider

Presented by: Treasurer Roger Marumoto

Motion: Adopt the CEQA determination that the project is not subject to CEQA and authorize the General Manager, with approval of the General Counsel, to execute a contract with CERBT to administer and invest Metropolitan's pre-funding of OPEB benefits.

Substitute Motion: Table this item to August.

Substitute Motion Moved: Direction Evans Seconded: Director Touhey
carried

Votes: Unanimous

After extensive discussion, the committee approved the substitute motion to provide an opportunity for each of the three firms recommended by staff to give brief presentations to the committee prior to the committee making a selection. Chair Grunfeld requested that committee members submit any additional questions on this matter to staff by the end of the week of July 21.

6. BOARD INFORMATION ITEM

None

7. COMMITTEE ITEMS

a. Subject: Review of Swap Policy and Outstanding Swaps

This item was deferred.

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

- Discussion on the Long Range Finance Plan.
- Presentation by Disabato Advisors, Metropolitan's investment consultants.

The next meeting will be held on August 19, 2013.

Meeting adjourned at 10:12 a.m.

Aaron Grunfeld
Chair