

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 03/20/09

Approved 05/18/09

EXECUTIVE COMMITTEE MEETING

ACWA/Joint Powers Insurance Authority
5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(800) 231-5742

March 20, 2009

MEMBERS PRESENT

Chairman: Wes Bannister, Orange County Water District
Vice Chair: Joan C. Finnegan, Municipal Water District of Orange County
Merle Aleshire, Valley Center Municipal Water District
Tom Cuquet, South Sutter Water District
Joseph Dion, Citrus Heights Water District
E. G. "Jerry" Gladbach, Castaic Lake Water Agency
W. D. "Bill" Knutson, Yuima Municipal Water District

MEMBERS ABSENT

Mary Gibson, Mission Springs Water District (Excused)
Paul Kelley, ACWA Vice President (Excused)
Lou Reinkens, Tahoe City Public Utility District (Excused)

STAFF PRESENT

Chief Executive Officer/Secretary: Daniel N. Klaff
Chief Financial & Operations Officer: Walter "Andy" Sells
Dick Damon, Liability/Property Claims Manager
David deBernardi, Director of Finance
John Gilstrap, Director of Member Services
Sylvia Robinson, Publications & Web Editor
Nancy Stangel, Director of Administration
Dianna Sutton, Accounting Manager
Jeanette Waterstradt, Executive Assistant to the CEO
Bobbette Wells, Administrative Assistant II

OTHERS PRESENT

Eldon Boone, Vista ID, ACWA/JPIA Auditor/Controller
Melody McDonald, San Bernardino Valley Water Conservation District
Mike McNulty, Metro/Risk, JPIA Insurance Broker
Robin Stewart, Kronick, Moskovitz, Tiedemann & Girard, JPIA Legal Counsel

WELCOME

Chairman Bannister called the meeting to order at 8:30 a.m. and welcomed everyone. He recognized Mike McNulty, JPIA Insurance Broker, and Melody McDonald, member of the Building and Property AdHoc Committee. He added that, as the agenda stated,

members of the public would be allowed to address the Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues which may or may not be on the agenda were also welcome. None were noted.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Mr. Klaff noted that the Membership agenda item on Sunnyslope County Water District would be deleted. The District was applying for participation in all three of the JPIA's Programs; however, with the special circumstances at the District, the JPIA was unable to perform the Risk Management assessment at this time.

CONSENT CALENDAR

Chairman Bannister called for approval of the Consent Calendar.

M/S/C (Knutson/Dion) (Yes – 6, No – 0): That the Executive Committee approve the minutes of the January 30, 2009 Executive Committee meeting as presented and approve the claims warrants of January 7 – 22, January 23 – February 10, February 11 – 19, and February 20 – March 9, 2009; approve the ACH & Wire Disbursements of January 7 – 22, January 22 – February 9, February 10 – 19, and February 20 – March 9, 2009; approve the payroll warrants of January 30, February 13, February 27, and March 13, 2009; approve the RPA Refunds of January 26, 2009; and approve the regular warrants of January 30, February 16, February 27, and March 13, 2009.

Executive Committee Member Attendance

In the discussion on Executive Committee member attendance, Mr. Aleshire referenced the Governing Documents Manual Section 3. Vacancies:

- (a) Existence of Vacancies. ... A vacancy shall also be deemed to exist because of the unexcused absence of a member of the Executive Committee, other than the Vice President of the Association of California Water Agencies, from two (2) consecutive meetings, thereof and shall be cause for removal of said member.

The Committee discussed the fact that this references Executive Committee members only and that it does not address Subcommittee member attendance. Following a brief discussion it was the consensus of the Committee that no modification of the wording was necessary and that further discussion on Executive Committee member attendance be addressed at a future meeting.

Excused Absence of Executive Committee Members

Mr. Klaff requested excused absences for Mary Gibson, Lou Reinkens, and Paul Kelley.

M/S/C (Cuquet/Gladbach) (Yes – 6, No – 0): That the Executive Committee approve excused absences for Mary Gibson, Lou Reinkens and Paul Kelley.

FINANCE

Recommendations of the Finance & Audit Committee

Mr. Boone, Chair of the Finance & Audit Committee, reported on the recommendations of the Committee from its meeting of March 19, 2009.

Funding of OPEB – Medical

The JPIA is required in fiscal year 2009 to implement GASB No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension*. Under these new accounting rules, the JPIA must recognize a minimum expense composed of the Normal Cost (expense for current year service earned by employees) and the Amortized Unfunded Actuarial Accrued Liability (liability for past services previously unrecognized), collectively referred to as the Annual Required Contribution (ARC). The necessary funds estimated by the actuary to meet this obligation can be set aside in a trust for purposes of benefiting the JPIA's retired employees receiving these benefits. In September 2008 the Executive Committee approved the JPIA participation in the CalPERS-administered Other Post Employment Benefits Plan. The JPIA has historically funded this expense on a "pay as you go basis".

The JPIA has the appropriate paperwork and agreement in place with CalPERS to fund the estimated ARC. The recent estimate by the actuary shows the total liability at \$2.96 million with an ARC of \$338,000 for fiscal year end September 30, 2009. The JPIA can either fund the minimum amount of \$338,000 with CalPERS or contribute any dollar amount up to \$2.96 million.

CalPERS's return on investments historically has been very favorable and is very likely to out perform the JPIA's current portfolio.

Mr. Boone stated that the Finance & Audit Committee's recommendation was to support Staff recommendation to have the JPIA fully fund the Actuarial Accrued Liability in the amount of \$2.96 million with CalPERS.

M/S/C (Aleshire/Gladbach) (Yes – 6, No – 0): That the Executive Committee approve the Finance & Audit Committee's recommendation to fully fund the Actuarial Accrued Liability in the amount of \$2.96 million with CalPERS.

Proposed Budget for FY 2009-10

The proposed budget is submitted to the Finance & Audit Committee and the Executive Committee in March. The approved budget is presented for approval to the Board of Directors at the May conference. The budget reviewed was for the fiscal year ending September 30, 2010.

Mr. Boone stated that the Finance & Audit Committee recommended approval as presented with additional information on the current number of JPIA employees reflecting that the number has remained the same and that the JPIA does not anticipate adding any new positions or employees.

M/S/C (Cuquet/Finnegan) (Yes – 6, No – 0): That the Executive Committee approve the Finance & Audit Committee’s recommendation to approve the budget as presented with the suggested additional information on the number of employees.

Investment Policy

The JPIA Investment Policy is submitted to the Board of Directors for review and approval at the Spring Conference.

The current Policy has been revised to add Local Government Investment Pools (LGIP) with a “AA” rating as an option similar to LAIF, to change the maximum investment in one institution from \$100,000 to the FDIC/NCUA maximum limits, to limit investments to no more than five years, and to remove the paragraph on interest.

M/S/C (Gladbach/Finnegan) (Yes – 6, No – 0): That the Executive Committee approve the Finance & Audit Committee’s recommendation to approve the Investment Policy with the recommended changes.

Audit Firm for JPIA Financial Audit

Mr. Boone added that a couple of other items had also been addressed at the Finance & Audit Committee meeting. The JPIA is required to have a financial audit each fiscal year. The Committee supported Staff recommendation to have the Auditor/Controller engage Maze & Associates for a three-year term as the new audit firm for the JPIA.

Benchmarks

Mr. Boone stated that the last item to report on was the issue of “benchmarking”. It was the Committee’s recommendation that the Treasurer and Staff come back to the Finance & Audit Committee with recommendations at the July meeting.

RPA Refunds Email and Letter

Mr. Sells noted that the RPA Stabilization Fund (RSF) is used to help stabilize retrospective premium adjustments (RPA) for prior policy years. It is funded with RPAs and refunds of the Catastrophic Reserve Funds of each of the pooled programs. Each member’s account is allowed to grow to 60 percent of one year’s basic liability premium; the amount over that point is refunded to the members on an annual basis. In January 2009, the JPIA mailed refund checks to 180 members through the RPA Stabilization Program. The checks totaled more than \$3.4 million.

Mr. Sells referenced a copy of the email notice and follow-up letter included in the packet, which had been sent to each agency’s General Manager, JPIA Director, and Board President who had a current email address with the JPIA, notifying them of the total refunds and the amount that their agency received.

Several of the Executive Committee members said that a copy of the JPIA’s letter to their agency had been put in their Agency’s Board packets, and the letter was very well received.

ADMINISTRATION

Status of Executive Committee Election Nominations

Ms. Robinson reported on the status of the Executive Committee election nominations. Tom Cuquet, Jerry Gladbach, and Lou Reinkens, the incumbents, had all qualified. Two additional candidates have received the required five concurring nominations; they are Charles Muse of Helix Water District and Paul Dorey of Vista Irrigation District. The deadline to qualify for the election is Friday, April 3, 2009.

Recommendations of the Personnel Advisory Committee

Mr. Klaff and Chairman Bannister reviewed the recommendations of the Personnel Advisory Committee from its meetings of February 5 and March 19, 2009. The Committee had reviewed and recommended approval of the proposed goals. They are as follows:

1. Explore new opportunities for membership.
2. Continue to evaluate market conditions and competition.
3. Continue embracing "employer of choice" philosophy.
4. Improve ways to communicate effectively and efficiently with members, Committees, and those who need to know.
5. Improve relationship building among Committees and members with goal of retention and member satisfaction.
6. Improve on focusing training to reduce losses.

M/S/C (Gladbach/Cuquet) (Yes – 6, No – 0): That the Executive Committee approve the Personnel Advisory Committee's recommendation to accept the Proposed Goals and Objectives as presented.

JPIA's 30th Anniversary

Mr. Klaff reported on the proposed activities for the celebration of the JPIA's 30th anniversary. There will be observances at both the spring and fall Conferences with proposed anniversary receptions in place of the directors' receptions. Anniversary mementos will be given at the spring and fall conferences. Also anniversary commemorative frames and polo shirts will be given to staff, Executive Committee members, and reception sponsors.

The Committee was pleased with the planned observances. Some Committee members made additional suggestions, on which Staff will follow up.

Availability for Upcoming Meetings

Chairman Bannister announced that the next Executive Committee meeting is scheduled for Monday, May 18, 2009 at the ACWA/JPIA Conference in Sacramento. No conflicts were noted.

Building & Property Committee Status Report

Mr. Gladbach, Chair of the Building & Property Committee, reviewed the Committee's options and recommendation of the Committee. The three options considered were:

1) remodel existing building; 2) purchase an existing building and remodel to suit the JPIA's needs; or 3) purchase land and build to suit the JPIA's needs. A detailed PowerPoint presentation had been made to the Executive Committee at its meeting on March 19, 2009 and it was the Committee's recommendation to enter into negotiations to pursue purchase of land and to present the package at the May Board of Directors meeting.

Chairman Bannister stated that he was immensely impressed with the Committee and complimented them for their work. Mr. Gladbach also complimented the members of the Committee for the work they had done.

Discussion ensued and the following motion was made:

M/S/C (Cuquet/Dion) (Yes – 7, No – 0, Chair voted): That the Executive Committee delegate its authority to the Building & Property Committee to enter into negotiations for purchase of land, contingent on approval of the ACWA/JPIA Board of Directors at its meeting on May 18, 2009.

Strategic Planning Session for the Executive Committee

Mr. Klaff opened discussion on the possibility of a Strategic Planning session for the Executive Committee members and the JPIA management. The last session was held in June of 2006 with an outside facilitator. Discussion included whether to have an outside facilitator or not and the location.

Mr. Cuquet stated that there could be a number of issues to discuss, and he suggested that each member let Staff know the top three issues that he or she would like addressed at the Strategic Planning Session. Staff could then narrow them down. For him, it would be Succession Planning, Reserves, and New Business.

Following discussion, it was the consensus of the Committee to schedule a Strategic Planning Session for this year with an outside facilitator, possibly in Ontario. Staff will look into the details.

POOLED PROGRAMS

Recent Significant Claims Activity Report

The Executive Committee has requested to be kept abreast of settlements on those claims that had been previously presented for authority. The following cases have been settled since this Committee's last meeting.

Mr. Damon reviewed the following list of recent significant claims activity:

- **Honeywell vs. Mesa Consolidated Water District (7/12/07)**

Ms. Honeywell slipped and fell in construction debris left on the sidewalk by District employees. The claim settled and the file is closed.

- **Warner vs. South Coast Water District (12/15/08)**

Mr. Warner requested that the District discontinue water supply while he renovated his house. A District employee turned the water on at the Warner home without his knowledge. A tap was open upstairs and the home was flooded. The claim settled and the file is closed.

Report on Occu-Med System for Workers' Compensation Members

Ms. Stangel stated that it has been five years since the JPIA first offered Occu-Med, Inc. services to its Workers' Compensation members. During that time, Staff has worked with members to assist and refer them to Occu-Med for pre-employment physical and fit-for-duty exam facilitation. To date, of the 151 members in the Workers' Compensation Program, only 11 have decided not to pursue information about this service, and/or begin the process of getting set up.

Occu-Med submitted an annual report in February analyzing its activity for JPIA members during 2008. Highlights include:

- 396 pre-employment physicals conducted
 - 246 were medically qualified (MQ) for their positions
 - 106 were conditionally qualified (CQ) for their positions, but required some further action
 - 41 were classified as recommendation delay for qualification (RDQ) pending further information
 - 37 later classified as medically qualified
 - 4 were rendered as non-qualified, not hired
- 41 fit-for duty exams conducted

Occu-Med has also provided consultation with members on related issues, rendered legal opinions, assisted with return-to-work issues, developed profiles for positions, assisted with clinic identification, trained clinics, worked with Staff on several issues, and much more.

Ms. Stangel added that over the five years, it's been extremely valuable to Staff to be able to refer members to Occu-Med for assistance in this important area of preventing claims.

MISCELLANEOUS

Report on Meetings Attended on Behalf of the JPIA

Ms. Finnegan stated that she will attend the ACWA Board meeting on March 26-27, 2009.

Future Agenda Items

Chairman Bannister asked the Committee members for any future agenda items. The Committee requested that an AIG update be added to the May agenda.

The Executive Committee meeting adjourned at 10 a.m.

WES BANNISTER, CHAIRMAN

ATTEST:

DANIEL N. KLAFF, SECRETARY