

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 3/19/09

Approved 9/29/2009

FINANCE & AUDIT COMMITTEE MEETING

JPIA CONFERENCE ROOM

5620 Birdcage Street, Suite 110

Citrus Heights, CA 95610

Thursday, March 19, 2009

MEMBERS PRESENT

Chairman: Eldon Boone, Vista Irrigation District

Mark Gardner, Wheeler Ridge Maricopa Water Storage District

Michael Grandy, El Toro Water District

Suha Kilic, Pebble Beach Community Services District

Tom Scaglione, Vallecitos Water District

MEMBERS ABSENT

Dennis Michum, Glenn-Colusa Irrigation District

Steve Ruetters, Kern County Water Agency

STAFF PRESENT

Chief Executive Officer: Daniel N. Klaff

Chief Financial & Operations Officer: Walter "Andy" Sells

David deBernardi, Director of Finance

John Gilstrap, Director of Member Services

Nancy Stangel, Director of Administration

Dianna Sutton, Accounting Manager

Jeanette Waterstradt, Executive Assistant to the CEO

Bobbette Wells, Administrative Assistant II

OTHERS PRESENT

Merle Aleshire, Valley Center Municipal Water District

Wes Bannister, Orange County Water District

Tom Cuquet, South Sutter Water District

Joan Finnegan, Municipal Water District of Orange County

Mary Gibson, Mission Springs Water District

E.G. "Jerry" Gladbach, Castaic Lake Water Agency

Nancy Jones, PFM Asset Management LLC

W.D. "Bill" Knutson, Yuima Municipal Water District

Melody McDonald, San Bernardino Valley Water Conservation District

Mike McNulty, Metro/Risk, JPIA Insurance Broker

WELCOME

Chairman Boone called the meeting to order at 1:00 p.m. and welcomed all in attendance. He noted that the Finance & Audit Committee had a quorum.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Boone asked for any changes to the agenda. None were noted.

REPORT ON MEETINGS ATTENDED ON BEHALF OF THE JPIA.

Chairman Boone asked if any Committee Members had attended meetings to report on behalf of the JPIA. None were noted.

MINUTES

Chairman Boone asked for approval of the minutes for the meeting of January 29, 2009.

M/S/C (Scaglione/Gardner) (Yes – 4, No – 0): That the minutes of the Finance & Audit Committee meeting of January 29, 2009, be approved as presented.

REVIEW AND TAKE ACTION ON OPEB FUNDING OPTIONS

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 and the Amortized Unfunded Actuarial Accrued Liability, collectively referred to as the Annual Required Contribution (ARC). The total Actuarial Accrued Liability as of October 1, 2008 was \$2.96 million, with an ARC of \$338 thousand for fiscal year end September 30, 2009. After a discussion led by Mr. deBernardi, it was determined that the JPIA financially would likely do better to fund the full amount now.

M/S/C (Scaglione/Kilic) (Yes – 4, No – 0): That the Finance & Audit Committee approve staff recommendation to fully fund OPEB in the amount of \$2.96 million, and recommend approval to the Executive Committee.

REVIEW AND TAKE ACTION ON PROPOSED BUDGET FOR FY 2009-2010

The significant change to the G&A budget for the fiscal year is an increase in Staff Employee Benefits, largely due to increases in health benefits for staff and retiree health benefits. The operating budget increased 2.7% from the prior year. Mr. Sells informed the Committee that the budget is a guideline of projected expenses for the fiscal year beginning October 1, 2009.

The Committee reviewed other expenses with large variances from the prior year's budget. Outside printing, JPIA office insurance and TargetSafety were the greatest increases. The outside printing costs increased due to printing and postage of the *Perspective* publication. The office property insurance increased 14.7%. TargetSafety increases are due to greater use by the members. Mr. Sells emphasized the

effectiveness of the TargetSafety program to the JPIA members. There is a \$6,000 allowance for Programs Claims Audits that was not reflected on the prior year's budget, since the audits are performed biannually. Mr. Sells explained that the increase to the budget is quite conservative, allowing for a 2.5% cost of living and employee benefit increases. In an effort to keep the budget under control, the JPIA has eliminated "out-of-state" travel and any national conferences for staff. Mr. Sells noted that the JPIA has maintained the same number of employees.

M/S/C (Scaglione/Gardner) (Yes – 4, No – 0): That Finance & Audit Committee approve the proposed budget as presented and forward to the Executive Committee for approval.

REVIEW AND TAKE ACTION ON THE INVESTMENT POLICY

The ACWA/JPIA Investment Policy is submitted to the Board of Directors for review and approval at the annual Spring Conference. The current Policy was reviewed and approved by the Board of Directors at the 2008 Spring Conference in Monterey. The Investment Policy has been revised to add Local Government Investment Pools (LGIP) as an allowable investment per Government Code 6509.7. LAIF has been limited to 50% of the ACWA/JPIA Investment Portfolio. Authority for investment purchases, greater than five years, has been removed. The \$100 thousand CD limitation was changed to reflect FDIC and NCUA limits. The entire section "Interest" on page 16 was deleted and a few grammatical changes were made.

M/S/C (Scaglione/Kilic) (Yes – 4, No – 0): That the Finance & Audit Committee approve the proposed Investment Policy with corrections noted and forward to the Executive Committee for approval.

REVIEW AND TAKE ACTION ON AUDIT FIRM

For the past three years Mayer Hoffman McCann provided auditing services to the JPIA. Their contract expired after the completion of the recent financial audit. After discussion with staff, the Auditor/Controller requested these services be put out to bid, excluding the incumbent. The JPIA sent RFPs to eight CPA firms and received three responses with proposals. Staff reviewed the proposals and interviewed two of the three firms responding. The two firms interviewed were Maze & Associates and Perry-Smith LLP. Both firms were determined to be excellent candidates, but Maze & Associates' bid came in at \$90,415, over a three year period, close to \$30 thousand below the other firm. It was the recommendation of staff, and the Auditor Controller, that Maze & Associates be engaged as the JPIA's auditing firm.

M/S/C (Scaglione/Kilic) (Yes – 4, No – 0): That the Finance & Audit Committee approve Maze & Associates to be awarded the contract for auditing services for a three year period, with an option to extend to five years.

BENCHMARK PRESENTATION, NANCY JONES, PFM ASSET MANAGEMENT LLC

Ms. Sutton began with a review of the JPIA portfolio. Ms. Jones began her presentation with a review of the economy and explaining that a benchmark is a tool to measure and evaluate investment performance providing a comparison of risk and return. The priorities of a benchmark should be safety, liquidity and yield. Ms. Jones discussed the financial aspects of each priority with the Committee. She gave an overview of setting benchmarks and a variety of performance expectations. It was determined that the Committee would discuss setting a benchmark at the next meeting in July, after the staff had time to review and make recommendations.

ANNOUNCE FUTURE MEETING DATES AND TOPICS

Chairman Boone thanked the Committee members for their participation and time and noted the next meeting will be held Thursday, July 23, 2009, at 1:00 p.m.

ADJOURNED

Meeting was adjourned at 3:26 p.m.