

MINUTES

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 9/29/09

Approved 01/21/10

FINANCE & AUDIT COMMITTEE MEETING

JPIA CONFERENCE ROOM

5620 Birdcage Street, Suite 110

Citrus Heights, CA 95610

Tuesday, September 29, 2009

MEMBERS PRESENT

Chairman: Eldon Boone, Vista Irrigation District
Mark Gardner, Wheeler Ridge Maricopa Water Storage District
Michael Grandy, El Toro Water District (departed 2:58 p.m.)
Suha Kilic, Pebble Beach Community Services District
Dennis Michum, Glenn-Colusa Irrigation District
Steve Ruetters, Kern County Water Agency
Tom Scaglione, Vallecitos Water District (departed 2:55 p.m.)

MEMBERS ABSENT

None.

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
Joan Finnegan, Municipal Water District of Orange County
E.G. "Jerry" Gladbach, Castaic Lake Water Agency
Nancy Jones, PFM Asset Management
W.D. "Bill" Knutson, Yuima Municipal Water District
Sarah Meacham, PFM Asset Management
Melody McDonald, San Bernardino Valley Water Conservation District
Lou Reinkens, Tahoe City Public Utility District

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 and that all Committee members were in attendance.

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 March 19, 2009.

M/S/C (Kilic/Ruettgers) (Yes – 6, No – 0): That the minutes of the Finance & Audit Committee meeting of March 19, 2009, be approved as presented.

REVIEW AND TAKE ACTION ON INVESTMENT PORTFOLIO

Ms. Sutton gave an update to the Committee on the JPIA's Short Term Investments. As of August 31, 2009, the JPIA's investment yield to maturity was 2.158% as compared to LAIF's rate of .925%. The yield to maturity continues to decline due to the economy.

The portfolio is now diversified between LAIF, CAMP, U.S. Treasuries and Certificates of Deposit. The JPIA's portfolio market value was \$103 million, as of August 31, 2009, which is \$1.1 million more than the book value. Due to the nature of short term investments, these funds will be required in the near future for the approved purchase of the Liability Program excess insurance of approximately \$5 million, purchase of the new office building at \$3 million, and expected Retrospective Stabilization Fund (RSF) refunds somewhere around \$5 to 7 million.

It was pointed out that the Finance Committee had not been in session since the offer to purchase the new office building in Roseville. The Committee was informed that the purchase price of the building was \$3.175 million. It was noted the current JPIA facility would be carried on the books as a surplus asset and could be sold when the real estate market recovers.

No action was taken.

LONG TERM INVESTMENT PORTFOLIO UPDATE

Ms. Jones and Ms. Meacham of PFM Asset Management updated the Committee of the status of the investment portfolio as of June 30, 2009. They discussed trends in the current market and gave their thoughts to the Committee on a course of action for moving forward with the JPIA's investment portfolio. The

portion of the portfolio managed by PFM is stable and well diversified showing a rate of return of 1.34% for the past quarter.

REVIEW AND TAKE ACTION ON BENCHMARKS

Mr. deBernardi gave a presentation to the Committee about the importance of setting an investment benchmark. He stressed the value of giving the investment management team a path to follow to safeguard the principal, meet liquidity needs, and achieve optimum rate of return for the JPIA portfolio.

The JPIA staff recommends approval of two separate investment benchmarks:

- 1) The first benchmark is a six month rolling U.S. Treasury average used to measure the investments managed by JPIA staff for liquidity purposes.
- 2) The second benchmark is the Merrill Lynch 1-5 Year Government Index (as presented by PFM) used to measure the portion of the portfolio PFM advises on.

M/S/C (Ruetters/Scaglione) (Yes – 6, No – 0) Benchmark #1: That the Finance & Audit Committee approve a short-term benchmark of a six month rolling U.S. Treasury average, and recommend approval to the Executive Committee.

Tom Scaglione left at 2:55 p.m.
Michael Grandy left at 2:58 p.m.

M/S/C (Michum/Ruetters) (Yes – 4, No – 0) Benchmark #2: That the Finance & Audit Committee approve a benchmark for PFM Asset Management as the Merrill Lynch 1-5 Year Government Index, and recommend approval to the Executive Committee.

ANNOUNCE FUTURE MEETING DATES AND TOPICS

Chairman Boone thanked the Committee members for their time and participation and noted there is no date set for the next meeting, as of yet. It is expected the next meeting will be in January of 2010. The Committee will be notified as soon as a schedule is produced.

ADJOURNED

Meeting was adjourned at 3:36 p.m.