

MINUTES

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 1/22/10

Approved 03/29/10

FINANCE & AUDIT COMMITTEE MEETING

JPIA CONFERENCE ROOM  
5620 Birdcage Street, Suite 110  
Citrus Heights, CA 95610

Thursday, January 21, 2010

MEMBERS PRESENT

Chairman: Eldon Boone, Vista Irrigation District (by Spiderphone)  
Mark Gardner, Wheeler Ridge Maricopa Water Storage District  
Dennis Michum, Glenn-Colusa Irrigation District (arrived at 1:06 p.m.)  
Steve Ruettgers, Kern County Water Agency  
Tom Scaglione, Vallecitos Water District (by Spiderphone)

MEMBERS ABSENT

Michael Grandy, El Toro Water District  
Suha Kilic, Pebble Beach Community Services District

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  
Bobbette Wells, Administrative Assistant II (Recording Secretary)

OTHERS PRESENT

Merle Aleshire, Valley Center Municipal Water District  
Thomas Cuquet, South Sutter Water District  
Joseph Dion, Citrus Heights Water District  
Joan Finnegan, Municipal Water District of Orange County  
E.G. "Jerry" Gladbach, Castaic Lake Water Agency  
Nancy Jones, PFM Asset Management  
Melody McDonald, San Bernardino Valley Water Conservation District  
Sarah Meacham, PFM Asset Management  
Amy Meyer, Maze & Associates  
Robert Noonan, Orchard Dale Water District  
Lou Reinkens, Tahoe City Public Utility District

## WELCOME

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

## 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 on behalf of the JPIA. None were noted.

## MINUTES

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

M/S/C (Scaglione/Gardner) (Yes – 5, No – 0): That the minutes of the Finance & Audit Committee meeting of September 29, 2009, be approved as presented.

## REVIEW AND TAKE ACTION ON THE AUDIT REPORT/CAFR

Mr. deBernardi stated that this is the first year the JPIA has prepared a Comprehensive Annual Financial Report (CAFR) in accordance with the requirements of the Government Finance Officers Association (GFOA). It is the intent to submit this report to the GFOA for review, in order to obtain a Certificate in Achievement for Excellence in Financial Reporting.

Amy Meyer from the audit firm of Maze & Associates was introduced to the Committee. This is the first year Maze & Associates has performed the independent annual audit of the JPIA. Ms. Meyer reported that the drafted opinion letter stated that the financial statements present fairly in all material respects the financial position of the JPIA as of September 30, 2009, and the results of its operations and cash flows for the year ended in conformity with accounting principles generally accepted. She also noted there were no material weaknesses or significant deficiencies to report.

Discussion of variances was made of the Statements of Revenues, Expenses, and Changes in Net Assets report on page 25, which included that funding of the PERS Retirement Fund and the OPEB ARC. The audit resulted in a few minor suggested changes in regard to internal control. Details will be submitted to staff when the final audit report is received. The final audit report will be submitted to the Committee at the next meeting.

Staff was excused from the meeting at 1:26 p.m., for a confidential discussion with the Committee, Executive Committee members present, and the Auditor.

Staff was invited to return to the meeting at 1:45 p.m.

Mr. Boone thanked staff for the opportunity to obtain direct communication with the Auditors. It gave the Finance & Audit Committee and Executive Committee members present opportunity to seek guidance on a future agenda item, related to the approval of warrants.

M/S/C (Scaglione/Ruettgers) (Yes – 5, No – 0): That the Finance & Audit Committee approve the audited financial statement and forward to the Executive Committee for approval.

#### REVIEW THE RPA STABILIZATION FUND

Mr. Sells reviewed the RPA Stabilization Fund (RSF) report. He stated that 224 members will receive refund checks, totaling \$7.4 million and are to be mailed early February 2010. JPIA staff and Executive Committee members have been personally delivering refund checks directly to several of the Members at their regularly scheduled Board meetings.

No current members owe money back to the Fund. The net balance of the RSF, after the refunds, is \$9.5 million. The RSF has been very successful, refunding in excess of \$15 million over the last five years. Last year 180 members received refund checks.

Mr. Sells added that the success of a pooled program is that the excess revenues are refunded back to the members. The Workers' Compensation RPAs continue to be impacted by SB899. It is projected the next RPA refunds should exceed \$5 million.

No action was required for this agenda item.

#### REVIEW INVESTMENT REPORTS

The Quarterly Treasurer's Report was included in the packet for review. Ms. Sutton reviewed the Short-term Investment Portfolio indicating the Portfolio had a yield to maturity of 1.2%, as of December 31, 2009. The duration was .478 as the design of the Portfolio is to retain a shorter position. The liquidity needs of the JPIA have increased due to the RPA refunds and facility renovations. The JPIA's short-term investments are performing above the designated Benchmark.

Nancy Jones and Sarah Meacham, of PFM Asset Management, reviewed Long-term Investment Portfolio performance as of December 31, 2009. The yield of the two-year Treasury note ranged from 0.67% to 1.14% during the fourth quarter. The spread between the two and ten year Treasury notes reached a record high in December 2009 at 285 basis points. PFM has been working to match the Long-term Investment Portfolio duration to the *Merrill Lynch 1-5 Year Government Index* benchmark set by the Committee in September 2009. PFM purchased predominantly U.S. Treasuries during the past quarter because basis points between the two year Treasuries and Agencies were low. The Portfolio is performing better than the chosen benchmark: 2.62% vs. 0.92%. The economy grew 2.2% in the third quarter of 2009, which was the first sign of growth since 2007. PFM's investment strategy for 2010 will largely depend on economic

growth, but also continue to manage the portfolio conservatively within the Benchmark's duration.

ANNOUNCE FUTURE MEETING DATES AND TOPICS

Chairman Boone thanked the Committee members for their time and participation. The next meeting is scheduled for March 29, 2010 at 1:00 p.m. Mark Gardner indicated he had a prior commitment and would not be available.

ADJOURNED

Meeting was adjourned at 2:35 p.m.