

MINUTES

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 4/06/10

Approved 7/15/10

FINANCE & AUDIT COMMITTEE MEETING

JPIA CONFERENCE ROOM

5620 Birdcage Street, Suite 110

Citrus Heights, CA 95610

Monday, March 29, 2010

MEMBERS PRESENT

Chairman: Eldon Boone, Vista Irrigation District

Michael Grandy, El Toro Water District

Suha Kilic, Pebble Beach Community Services District (by Spiderphone)

Dennis Michum, Glenn-Colusa Irrigation District

Steve Ruetters, Kern County Water Agency

Tom Scaglione, Vallecitos Water District

MEMBERS ABSENT

Mark Gardner, Wheeler Ridge Maricopa Water Storage 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

Jeanette Waterstradt, Executive Assistant to the CEO

Bobbette Wells, Administrative Assistant II (Recording Secretary)

OTHERS PRESENT

Thomas Cuquet, South Sutter Water District

Joan Finnegan, Municipal Water District of Orange County

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

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

Melody McDonald, San Bernardino Valley Water Conservation 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 asked that all in attendance be announced.

## PUBLIC COMMENT

Chairman Boone announced to the Committee and those present that he was appointed to the Board of Directors of California Asset Management Program (CAMP), representing Vista Irrigation District. This announcement is informational only and will not have any effect on his involvement with this Committee.

## ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Boone asked for any changes to the agenda. It was requested that the third item on the agenda, Proposed Budget for FY 2010-11, be moved to the end of the meeting to accommodate two Executive Committee members experiencing flight delays. The Committee concurred.

## 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 at this time.

## MINUTES

Chairman Boone asked for approval of the minutes for the meeting of January 21, 2010.

M/S/C (Scaglione/Michum) (Yes – 5, No – 0): That the minutes of the Finance & Audit Committee meeting of January 21, 2010, be approved as presented.

Mr. Ruettgers exited the meeting at 1:07 p.m.

## INVESTMENT PORTFOLIO UPDATE

Ms. Sutton gave an overview of the PFM Asset Management Conference she and Mr. deBernardi had attended on March 25, 2010. The conference overview entailed PFM's forecast that the Federal Reserve will not raise interest rates and the economy is expected to see approximately a 3% gain.

Mr. Ruettgers returned to the meeting at 1:10 p.m.

The value of the short-term portfolio decreased \$5.7 million, from December 31, 2009 to February 28, 2010, after issuing \$7.4 million in refunds from the RPA Stabilization Fund netted with incoming funds from Workers' Compensation Premiums. The overall portfolio had a yield to maturity of 1.994% as of February 28, 2010 compared to 1.961% as of December 31, 2009. The duration was 1.472 as of February 28, 2010 compared to 1.361 as of December 31, 2009.

The portfolio meets the JPIA's liquidity requirements for the next six months, as well as

for the upcoming new facility renovations.

PFM Asset Management has diversified the long-term portfolio to match the Merrill Lynch 1-5 Year Government Index benchmark set in September 2009 with 10% of the portfolio in Corporate and Medium term notes, 32% in Treasuries, and 58% in Agencies.

#### REVIEW AND TAKE ACTION ON THE INVESTMENT POLICY

The Investment Policy has been reviewed by the ACWA/JPIA investment advisor PFM. Their review indicated the current policy is in compliance with the California Government Code. PFM provided a summary of suggested changes, some of which are included in the proposed revised policy. Staff is reviewing the suggested changes for possible review and discussion at a later time with the Committee. A copy of the proposed revisions will be e-mailed to the Committee for evaluation.

Staff presented wording changes to the Investment Policy in the PRUDENCE and PERMISSIBLE INVESTMENTS sections that will match Government code. Another of the incorporated changes addresses the financial auditor's recommendation to change the wording under the CONTROLS section of the policy. Changes were reviewed concerning wording in the REPORTING/REVIEW section. The Committee asked that wording in this section be changed to:

*The Treasurer or designee shall render annually a statement of investment policy to ACWA/JPIA's Executive Committee for consideration and approval. The Chief Financial Officer shall render a quarterly report to ~~the Chief Executive Officer~~ the ACWA/JPIA's Executive and Finance & Audit Committees. The quarterly report will be submitted ~~within thirty days following~~ after the end of the quarter covered by the report.*

Any mention of *Treasurer* in all areas of the Investment Policy shall be changed to *Treasurer or designee*.

M/S/C (Scaglione/Ruettgers) (Yes – 5, No – 0): That the Finance & Audit Committee approve the proposed Investment Policy with the noted changes and forward to the Executive Committee for approval.

#### RECAP OF THE EXECUTIVE COMMITTEE WORKSHOP

Mr. Sells gave an overview of the Executive Committee Workshop of February 8, 2010. The purpose of the Workshop was to provide an open review and discussion of the Authority's reserves. An overview of deposit premium calculations, application of Retrospective Premium Adjustments (RPAs), and the distribution of refunds through the Rate Stabilization Fund (RSF) was evaluated. Each of the reserve funds was reviewed and there was discussion of combining into a single reserve fund. The Committee Members had mixed opinions on this concept and decided to have a workshop to further evaluate at a later date, possibly to correlate with the next meeting in July.

## REVIEW AND TAKE ACTION ON THE PROPOSED BUDGET FOR FY 2010-11

Mr. Klaff presented the budget for fiscal year ending September 30, 2011 to the Committee. There is an overall increase in the Operating budget of 1.7%. The most significant changes to the General & Administrative (G&A) budget are a decrease of staff benefits of \$140,000 due to reduced expense anticipated from retiree medical benefits per actuary and a lower PERS rate due to the JPIA's payoff of the Side Fund during fiscal year ending September 30, 2009. The \$227,200 increase in depreciation is due to the newly acquired building expected to come into operation. Salaries remain the largest line item in the budget, although showing a slight decrease from the previous fiscal year. There is an allowance in the proposed budget for salary increases and incentive awards for staff. The cost of external claims administration rose by \$20,000 this fiscal year. This is a paid fee to the State of California to administer self-insured Workers' Compensation.

M/S/C (Scaglione/Michum) (Yes – 5, No – 0): That Finance & Audit Committee approve the proposed budget as presented and forward to the Executive Committee for approval.

## ANNOUNCE FUTURE MEETING DATES AND TOPICS

Chairman Boone thanked the Committee members for their time and participation. The next meeting is scheduled for July 15, 2010.

## ADJOURNED

Meeting was adjourned at 3:20 p.m.