

MINUTES

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 2/03/11

Approved 03/14/11

FINANCE & AUDIT COMMITTEE MEETING

JPIA CONFERENCE ROOM

2100 Professional Drive

Roseville, CA 95661

Monday, January 31, 2011

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
Dennis Michum, Glenn-Colusa Irrigation District
Steve Ruetters, Kern County Water Agency
Tom Scaglione, Vallecitos Water District

MEMBERS ABSENT

None

STAFF PRESENT

Chief Executive Officer: Daniel N. Klaff
Chief Operations Officer: Walter "Andy" Sells
David deBernardi, Director of Finance
John Gilstrap, Director of Member Services
Nancy Stangel, Director of Administration
Dianna Sutton, Finance Manager
Jeanette Waterstradt, Executive Assistant to the CEO
Bobbette Wells, Administrative Assistant II (Recording Secretary)

OTHERS PRESENT

Thomas Cuquet, South Sutter Water District
Joseph Dion, Citrus Heights Water District
E.G. "Jerry" Gladbach, Castaic Lake Water Agency
David Hodgin, Scotts Valley Water District
W.D. "Bill" Knutson, Yuima Municipal Water District
Bill Malone, President, WGM & Associates, JPIA Insurance Broker
Melody McDonald, San Bernardino Valley Water Conservation District
Amy Meyer, Maze & Associates
Charles Muse, Helix Water District
Lou Reinkens, Tahoe City Public Utility District

WELCOME

Chairman Boone called the meeting to order at 3:16 p.m. and welcomed all in attendance. He noted that the Finance & Audit Committee had a quorum.

PUBLIC COMMENT

None.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Boone asked for any changes to the agenda. No changes were noted.

REPORT ON MEETINGS ATTENDED ON BEHALF OF THE JPIA

JPIA Staff and Executive Committee members stated they had been delivering Rate Stabilization Fund refund checks to some of the larger Districts and which were warmly received. The refunds have provided an excellent opportunity to meet with other Board Members and promote the JPIA.

MINUTES

Chairman Boone asked for approval of the minutes for the meeting of July 15, 2010.

M/S/C (Scaglione/Gardner) (Yes – 6, No – 0): That the minutes of the Finance & Audit Committee meeting of July 15, 2010, be approved as presented.

AUDITED FINANCIAL STATEMENTS / CAFR

Amy Meyer from the audit firm of Maze & Associates was introduced to the Committee. This is the second year Maze & Associates has performed the independent annual audit of the JPIA. Ms. Meyer reported 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, 2010, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles; furthermore she reported they found no material weaknesses or significant deficiencies. Three “other matters” have been addressed in the drafted opinion letter, which are merely recommendations meant to be of benefit to the Authority. These suggestions include: documenting the comparison of approved check register (which has already been implemented), creating purchasing policies or guidelines, and Information Technology best practices recommendations. The latter two items are under consideration by staff.

This will be the second 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. The Committee reviewed the Financial Statements and gave recommendations for amended changes and/or clarification. The finalized audit report will be transmitted to the Committee by e-mail when completed.

M/S/C (Grandy/Scaglione) (Yes – 6, No – 0): That the Finance & Audit Committee approve the audited financial statements for Year Ending September 30, 2010 as amended and forward to the Executive Committee for approval.

Staff was excused from the meeting for a confidential discussion between the Finance & Audit Committee and the Auditor.

RATE STABILIZATION FUND

The Rate Stabilization Fund (RSF) is used to help stabilize Retrospective Premium Adjustments (RPA) for prior policy years. It is funded with RPAs and refunds from the Catastrophic Reserve Fund of each of the pooled programs. Mr. Sells relayed to the Committee that each member's "account" is maintained separately from other members' and is allowed to grow to 60% of one year's basic liability premium. The amount over that point is refunded to the members on an annual basis. The RSF has refunded in excess of \$20 million over the last five years.

Rate Stabilization Reports are being hand delivered or mailed during January and February. Approximately 230 active members will receive refund checks totaling slightly over \$6.3 million. One member was invoiced in the amount of \$89. The current balance of the Fund is now approximately \$9.8 million. Ten non-active members will be receiving refunds later in the year. No action was required by the Committee.

INVESTMENT REPORTS / QUARTERLY TREASURER'S REPORT

Ms. Sutton gave an overview of the investment reports, including the Quarterly Treasurer's Report and the 2011 cash flow projection. The investment portfolio had a yield to maturity of 1.648 as of December 31, 2010, compared to 1.581 as of September 30, 2010. The duration was 1.683 as of December 31, 2010, compared to 1.339 as of September 30, 2010. The JPIA meets the liquidity requirements for the next six months.

Public Financial Management (PFM) Asset Management LLC was retained as the JPIA's long-term investment advisor November 1, 2008. Currently, PFM administers over 68% of the investment portfolio, or \$66.7 million, showing a 1.87 yield to maturity as of December 31, 2010.

LIABILITY 10% PROGRAM

In the 2007/08 Liability Program year, the JPIA created the Liability 10% Program to assist districts in stabilizing premiums. Each year, a member's deposit premium is compared to the prior year. If the member's deposit premium increases by more than 10% net of payroll changes, the JPIA will use available funds from their Rate Stabilization Fund account to compensate for the increase in excess of 10%. A significant factor affecting member deposit premium is their calculated experience modification factor (E-mod). This calculation is based on the District's most recent three policy years' loss experience. Since a member's E-mod can significantly fluctuate from year to year, the amount covered in excess of 10% of the prior year's premium can also

significantly fluctuate. In some cases, despite the program's intent to level out significant changes, members can encounter significant increases.

Staff recommends using a three-year average of prior year premiums going forward when determining the amount in excess of 10%. This will help level out changes in member deposit premiums. The three-year average would be more appropriate since the E-mod is calculated using a three-year loss history. This calculated increase would no longer be net of payroll.

M/S/C (Scaglione/Ruettgers) (Yes – 6, No – 0): That the Finance & Audit Committee recommend to the Executive Committee that the Liability 10% Program be modified to a three-year rolling average omitting the net payroll calculation.

ANNOUNCE FUTURE MEETING DATES AND TOPICS

Chairman Boone thanked the Committee members for their time and participation. The next meeting is March 14, 2011; time to be determined.

ADJOURNED

Meeting was adjourned at 5:05 p.m.