



Approved – September 17, 2018

Finance & Audit Committee Meeting

ACWA JPIA Executive Conference Room
2100 Professional Drive,
Roseville, CA 95661
(800) 231-5742

March 19, 2018

This meeting consisted of a simultaneous WebEx teleconference call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Corder – 10440 Ashford Street, Rancho Cucamonga
- Ruetters – 3200 Rio Mirada Drive, Bakersfield
- Smith – 3200 Rio Mirada Drive, Bakersfield

MEMBERS PRESENT

Chairman: Tom Scaglione, Vallecitos Water District
Carrie Corder, Cucamonga Valley Water District (*via WebEx*)
Suha Kilic, Pebble Beach Community Services District
Dennis Michum, Glenn-Colusa Irrigation District
Kevin Phillips, Paradise Irrigation District (*joined meeting at 2:35 p.m.*)
Steve Ruetters, Kern County Water Agency (*via WebEx*)
Jim Smith, Wheeler Ridge-Maricopa Water Storage District (*via WebEx*)

MEMBERS ABSENT

None.

STAFF PRESENT

Chief Executive Officer/Secretary: Walter “Andy” Sells
Carol Barake, Risk Management Program Manager
Linda Craun, Administrative Assistant II
David deBernardi, Director of Finance
Robert Greenfield, General Counsel
Cece Reynolds, Accountant II (Recording Secretary)
Patricia Slaven, Director of Human Resources and Administration
Sandra Smith, Employee Benefits Manager
Dan Steele, Lead Accountant
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Bobbette Wells, Executive Assistant to the CEO

OTHERS IN ATTENDANCE

Thomas Cuquet, South Sutter Water District
David Drake, Rincon del Diablo Municipal Water District
E.G. “Jerry” Gladbach, Castaic Lake Water Agency

David Hodgin, Scotts Valley Water District
W.D. "Bill" Knutson, Yuima Municipal Water District
Melody McDonald, San Bernardino Valley Water Conservation District
Gaby Olson, Valley Center Municipal Water District
Bruce Rupp, Humboldt Bay Municipal Water District (*via WebEx*)
Kathy Tieg, Cucamonga Valley Water District
Kevin Wong, Gilbert Associates, Inc.

WELCOME

Chairman Scaglione welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Scaglione called the meeting to order at 1:00 pm. He announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

Chairman Scaglione announced that the meeting would be recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

PUBLIC COMMENT

Chairman Scaglione noted that, as the agenda stated, members of the public would be allowed to address the Finance & Audit Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

INTRODUCTIONS

Chairman Scaglione introduced everyone in attendance.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Scaglione asked for any additions to, or deletions from, the agenda; none requested.

APPROVAL OF MINUTES

Chairman Scaglione called for approval of the minutes of the November 27, 2017 meeting.

M/S/C (Kilic/Michum) (Corder-Yes; Kilic-Yes; Michum-Yes; Ruettgers-Yes; Smith-Yes; Scaglione-Yes): That the Finance & Audit Committee approve the minutes of the November 27, 2017 meeting, as presented.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

None reported.

AUDIT UPDATE FOR YEAR ENDING SEPTEMBER 30, 2017

Mr. deBernardi relayed that each year, the JPIA provides for an independent audit of the JPIA's financial statements. Mr. deBernardi introduced Kevin Wong, Gilbert

Associates, to review the audit. Gilbert Associates performed the annual audit of the JPIA for the fiscal year of October 1, 2016 through September 30, 2017.

Historically the audit report is presented to the Finance & Audit Committee for review and input at the first meeting of the calendar year.

Mr. Wong presented an addendum to the agenda discussing the importance of communications with those charged with Governance. Mr. Wong praised the level of preparation by management and staff relaying that the JPIA was the most prepared of any previous client. Mr. Wong presented an overview of the audit process and the use of Suralink, a cloud based document exchange tool being utilized to complete the audit.

The JPIA received an unmodified opinion. The drafted opinion stated that the financial statements presented fairly, in all material respects, the financial position of the JPIA as of September 30, 2017, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As in previous years, the JPIA prepared a Comprehensive Annual Financial Report (CAFR) in accordance with the Government Finance Officers Association (GFOA) standards. Management intends to submit this report to the GFOA for review in order to again obtain a Certificate of Achievement for Excellence in Financial Reporting. Consequently, the annual report has additional reports therein to meet these high standards.

The auditors did not recommend any changes to the document and commended staff on the quality of reporting in the document.

Mr. Wong, presented the Audited Financial Statements. The Finance & Audit and Executive Committee members in attendance were given the opportunity to speak to the auditor without staff present. Staff was excused from the meeting at 1:50 p.m. for a confidential discussion.

M/S/C (Kilic/Michum) (Corder-Yes; Kilic-Yes; Michum-Yes; Ruetters-Yes; Smith-Yes; Scaglione-Yes): That the Finance & Audit Committee approve the Audited Financial Statements for year ending September 30, 2017, and forward to the Executive Committee for approval, with final approval of the Board of Directors at Spring Conference.

PROPOSED OPERATION BUDGET FOR FISCAL YEAR 2018-19

Mr. deBernardi explained in March of each year, a proposed Operating Budget is submitted to the Finance & Audit Committee and then to the Executive Committee for approval. At the May Conference, the proposed Operating Budget is presented for approval to the Board of Directors. The budget covers General & Administrative (G&A) Expenses for the fiscal year ending September 30, 2019.

The most significant changes to the G&A budget for the fiscal year are staff employee benefits, computer equipment, software and office furniture, and external claims administration. Staff employee benefits increase is due to an addition of \$1.1 million for the anticipated change in the net pension obligation for pensions. This anticipated increase is due to a lowering of the CalPERS discount rate. Computer equipment, software, office furniture decrease is due to the JPIA no longer using Castlight software in the Employee Benefits Program.

For external claims administration, the decrease is due to significant taxes related to the Affordable Care Act phasing out.

The overall increase in the Operating Budget is 10.9%. Salaries remain the largest line item in the budget. One additional position is included in the budgeted salaries.

M/S/C (Ruetters/Corder) (Corder-Yes; Kilic-Yes; Michum-Yes; Ruetters-Yes; Smith-Yes; Scaglione-Yes): That the Finance & Audit Committee approve the proposed Operating Budget for the fiscal year ending September 30, 2019, as presented, and forward to the Executive Committee for approval, with final approval from the Board of Directors at Spring Conference.

CAPTIVE INSURANCE UPDATE

Mr. Sells relayed that the Executive Committee had set a 2018 organizational goal for JPIA staff to research and evaluate the possibility of creating a Captive Insurance Company; staff has begun the process.

A Captive is an insurance company wholly owned by the parent that underwrites the insurance needs of the organization with a separate Board of Directors. The Captive would be domiciled out of state and would follow the requirements of that states insurance department. Establishing a Captive would better utilize assets, provide greater flexibility in managing retentions/limits/market fluctuations, and create a layer of protection for potential adverse State of California actions. Next steps will be to send a request for proposal for a feasibility study, identify structure of board and management, and to create an operational plan.

MISCELLANEOUS

Future Agenda Items

None stated.

Availability for Upcoming Meeting(s):

The next scheduled Finance & Audit Committee meeting is scheduled for September 17, 2018 at 1:00 p.m. No conflicts were noted.

The Finance & Audit Committee meeting adjourned at 2:58 p.m.