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*Approved Minutes*

## **Finance & Audit Committee Meeting**

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

**March 20, 2019**

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
- Kelleher – 1391 Engineer Street, Vista
- Kilic – 3101 Forest Lake Road, Pebble Beach
- Michum – 344 E. Laurel Street, Willows
- Ruetters – 3200 Rio Mirada Drive, Bakersfield
- Smith – 3200 Rio Mirada Drive, Bakersfield

### **MEMBERS PRESENT**

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Chairman: Kevin Phillips, Paradise Irrigation District *(via WebEx)*

Vice-chair: Carrie Corder, Cucamonga Valley Water District *(via WebEx)*

Marlene Kelleher, Vista Irrigation District *(via WebEx)*

Suha Kilic, Pebble Beach Community Services District *(via WebEx)*

Dennis Michum, Glenn-Colusa Irrigation District *(via WebEx)*

Steve Ruetters, Kern County Water Agency *(via WebEx)*

Jim Smith, Wheeler Ridge-Maricopa Water Storage District *(via WebEx)*

### **MEMBERS ABSENT**

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None.

### **STAFF PRESENT**

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Chief Executive Officer/Secretary: Walter “Andy” Sells

Thor Benzing, Sr. Risk Control Advisor

Matt Bunde, Sr. Risk Control Advisor

Carol Barake, Risk Control Manager

David deBernardi, Director of Finance

Robert Greenfield, General Counsel

Erik Kowalewski, Systems/Network Administrator

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

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## **OTHERS IN ATTENDANCE**

David Drake, Rincon del Diablo Municipal Water District *(via WebEx)*  
E.G. “Jerry” Gladbach, Santa Clarita Valley Water Agency *(via WebEx)*  
Bob Green, Gilbert Associates, Inc.  
Melody McDonald, San Bernardino Valley Water Conservation District  
Sarah Meacham, PFM Asset Management  
Bruce Rupp, Humboldt Bay Municipal Water District  
Kathy Tiegs, Cucamonga Valley Water District  
Kevin Wong, Gilbert Associates, Inc.

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## **WELCOME**

Chairman Phillips welcomed everyone in attendance.

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## **INTRODUCTIONS**

Mr. Sells asked that everyone in attendance introduce themselves.

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## **CALL TO ORDER AND ANNOUNCEMENT OF QUORUM**

Chairman Phillips called the meeting to order at 1:00 pm. He announced there was a quorum. Chairman Phillips joined the meeting by WebEx, but due to posting requirements was not counted as part of the quorum.

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## **ANNOUNCEMENT RECORDING OF MINUTES**

Chairman Phillips 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.

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## **EVACUATION PROCEDURES**

Mr. Sells briefly reviewed the building evacuation procedures.

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## **PUBLIC COMMENT**

Chairman Phillips 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.

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## **ADDITIONS TO OR DELETIONS FROM THE AGENDA**

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

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## **APPROVAL OF MINUTES**

Chairman Phillips called for approval of the minutes of the September 17, 2018 meeting.

M/S/C (Corder/Kelleher) (Corder-Yes; Kelleher-Yes; Kilic-Yes; Michum-Yes; Ruettgers-Yes; Smith-Yes): That the Finance & Audit Committee approve the minutes of the September 17, 2018 meeting, as presented.

## **MEETINGS ATTENDED ON BEHALF OF THE JPIA**

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None reported.

## **AUDIT UPDATE FOR YEAR ENDING SEPTEMBER 30, 2018**

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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, 2017 through September 30, 2018.

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. He presented an overview of the audit process which began in November and waited until March for GASB 68 and 75 information from CalPERS.

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, 2018, 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. GASB 75 was implemented this year leaving the JPIA with a net Other Post Employment Benefit asset.

As in previous years, the JPIA prepared a Comprehensive Annual Financial Report 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. Green 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 for a confidential discussion.

M/S/C (Kilic/Smith) (Corder-Yes; Kelleher-Yes; Kilic-Yes; Michum-Yes; Ruettgers-Yes; Smith-Yes): That the Finance & Audit Committee recommend that the Executive Committee approve the Audited Financial Statements for year ending September 30, 2018, with final approval of the Board of Directors at Spring Conference.

## **PROPOSED OPERATION BUDGET FOR FISCAL YEAR 2019-20**

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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 Spring Conference, the proposed Operating Budget is presented for approval to the Board of Directors. The budget covers General & Administrative Expenses for the fiscal year ending September 30, 2020.

The most significant changes to the budget for the new fiscal year was staff salaries and staff employee benefits. Staff salaries increase in part was due to an informal survey that determined the JPIA directors and managers pay was not in line with the industry. The Personnel Committee and the Executive Committee approved the pay increases. A cost of living adjustment of 2.5% is imbedded in the 6.2% increase for the JPIA employees. Staff employee benefits shows a decrease of \$417,767 as a result of a decrease in the JPIA pension liability.

The overall increase in the Operating Budget is 0.1%.

M/S/C (Ruettgers/Michum) (Corder-Yes; Kilic-Yes; Kelleher-Yes; Michum-Yes; Ruettgers-Yes; Smith-Yes): That the Finance & Audit Committee recommend that the Executive Committee approve the proposed Operating Budget for the fiscal year ending September 30, 2020, as presented, with final approval from the Board of Directors at Spring Conference.

## **LONG-TERM INVESTMENT PORTFOLIO UPDATE**

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Ms. Meacham began her presentation with an overview of the economy, labor market and a 2018 fourth quarter review of JPIA's economic portfolio. She discussed an interest rate update stating that 2-year Treasury yields remain favorable for rates to trend higher during the remainder of 2019. The JPIA's total return on the portfolio since inception has been above the Bank of America/Merrill Lynch 1-5 Year U.S. Government Index benchmark. The portfolio is well diversified, is comprised of high quality securities and has outperformed the benchmark by an annual average of 0.32% since inception. The diversification of the portfolio and maturity distribution was also discussed.

## **CAPTIVE INSURANCE UPDATE**

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Mr. Sells stated that Rob Greenfield, David deBernardi, Tom Cuquet, and he traveled to Utah and met with the Utah Insurance Commissioner, his Deputy and Deputy Director in charge of Captives. Mr. Sells stated they are eager to work with the JPIA in this process.

The Captive will have a seven-member Board; four appointed from the Executive Committee, two elected from the JPIA Board of Directors, and one resident of the state of Utah. The Captive is expected to be formed by July 1, 2019. The Liability program will be the first program in the Captive beginning October 1, 2019.

The name of the Captive will be the California Water Insurance Fund.

## **MISCELLANEOUS**

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### Future Agenda Items

None stated.

### Availability for Upcoming Meeting(s):

The next scheduled Finance & Audit Committee meeting is scheduled for September 9, 2019 at 10:15 a.m. No conflicts were noted

The Finance & Audit Committee meeting adjourned at 2:30 p.m.