



Approved: March 27, 2025

FINANCE AND AUDIT COMMITTEE MEETING

ACWA JPIA
2100 Professional Drive
Roseville, CA 95661

September 25, 2024

MEMBERS PRESENT

Chair: David Drake, Rincon del Diablo Municipal Water District
Vice-Chair: J. Bruce Rupp, Humboldt Bay Municipal Water District
Jennifer Bryant, Helix Water District (*via Zoom*)
Kurtis Crawford, Yuba Water Agency
Edward Lyons, Cachuma Operation and Maintenance Board
Brett Miller, San Benito County Water District (*via Zoom*)
Jim Smith, Wheeler Ridge-Maricopa Water Storage (*via Zoom*)

MEMBERS ABSENT

Marwan Khalifa, Mesa Water District
Cindy Saks, San Bernardino Valley Municipal Water District

STAFF PRESENT

Chief Executive Officer: Adrienne Beatty
Erin Bowles, Workers' Compensation Claims Manager
Chimene Camacho, Senior Executive Assistant to the CEO
David deBernardi, Director of Finance
Adam Dedmon, Employee Benefits Manager
Robert Greenfield, General Counsel
Jennifer Jobe, Director of Pooled Programs
Erik Kowalewski, Information Technology Manager
Jillian Sciancalepore, Administrative Assistant III (*Recording Secretary*)
Heidi Singer, Accountant II
Dan Steele, Finance Manager
Kayla Villa, Litigation Manager
Tony Waterford, Human Resources Manager

OTHERS IN ATTENDANCE

Ernie Avila, Contra Costa Water District (*via Zoom*)
Chris Kapheim, Kings River Conservation District
Szu Pei Lu-Yang, Rowland Water District
Melody McDonald, San Bernardino Valley Water Conservation District Randall
Reed, Cucamonga Valley Water District
David Wheaton, Citrus Heights Water District
Michael Kronbetter, PFM Asset Management LLC
Joel Metzger, Utica Water and Power Authority (*via Zoom; arrived at 1:09 p.m.*)

WELCOME, CALL TO ORDER, ANNOUNCEMENT OF QUORUM, AND INTRODUCTIONS

Chair Drake welcomed everyone in attendance and called the meeting to order at 1:00 p.m. He announced there was a quorum. He requested the Finance and Audit Committee, Executive Committee, staff, and others in attendance to introduce themselves.

PLEDGE OF ALLEGIANCE

Chair Drake instructed Vice-Chair Rupp to lead the Pledge of Allegiance.

ANNOUNCEMENT OF RECORDING OF MEETING

Chair Drake announced that the meeting would be recorded to assist in preparation of minutes. Recordings are kept 30 days following the meeting, as mandated by the Ralph M. Brown Act.

PUBLIC COMMENT

Chair Drake noted that, as the agenda stated, members of the public would be allowed to address the Finance and 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 welcome. None were noted.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chair Drake asked for any additions to, or deletions from, the agenda. None were noted.

I. CONSENT AGENDA

Chair Drake called for approval of the Consent Agenda:

M/S/C (Rupp/Crawford) (Smith-Yes; Miller-Yes; Lyons-Yes; Crawford-Yes; Bryant-Abstain; Rupp-Yes; Drake-Yes); That the Finance and Audit Committee approve the minutes of the March 20, 2024, meeting, as presented.

II. ADMINISTRATION

Report on Meetings Attended on Behalf of the JPIA

Chair Drake and Vice-Chair Rupp reported attending the annual CAJPA Conference held in South Lake Tahoe, California from September 10-13, 2024.

III. PROGRAM UPDATES

Investment Portfolio Update

Mr. Kronbetter, Relationship Manager, PFM Asset Management LLC, and Mr. Steele discussed the portfolio liquidation strategy, and how the fixed income portfolio is no longer competitive with the California Asset Management Program.

Mr. Kronbetter reviewed current market themes, inflation measurements, and the labor market for the second and third quarters, along with portfolio holdings and performance.

Review and Provide Recommendation Regarding the Investment Policy

Mr. deBernardi provided a brief overview of the suggested changes proposed by PFM Asset Management LLC to ACWA JPIA's Investment Policy. Minor adjustments were recommended under the Permissible Investment and Limitations/Diversification sections.

M/S/C (Lyons/Miller) (Smith-Yes; Miller-Yes; Lyons-Yes; Crawford-Yes; Bryant-Yes; Rupp-Yes; Drake-Yes): That the Finance and Audit Committee recommends that the Executive Committee approve the changes to the Investment Policy and forward it to the Board of Directors at Fall Summit for final approval.

California Water Insurance Fund Update

Committee Chair Drake and Ms. Beatty reported on updates from the May 31, 2024, and June 21, 2024, CWIF Board meetings including the reelection of Andrew Morris, Santa Rosa Regional Resources Authority, and the appointment of Brent Hastey, Reclamation District 784, for the open CWIF Board positions.

Mr. Steele reported that as of June 30, 2024, the book value of the CWIF mixed-asset portfolio was \$165,085,984 vs. a market value of \$179,454,505. The rate of return since inception reported by PFM was valued at 6.37%, which is trending towards the Committee's approved target rate of return of 7%.

Mr. Steele provided a brief overview of the CWIF Investment Performance Review for the quarter ending June 30, 2024, and how the upcoming election could be a negative factor to consider over the next 6-12 months. However, he emphasized that since inception, PFM has been significantly close to hitting their target with our portfolio at 6.37%, and the blended benchmark being 6.69%.

Lastly, Mr. Steele provided the Committee with updated numbers from the August report, which was unavailable at the time of packet compilation, with the portfolio's book value at \$172 million, the market value at \$193.9 million, and an \$8.5 million dividend paid to JPIA.

2023-24 Budget to Actual Review

Mr. deBernardi presented a mid-year budget review with notable variances including personnel changes (i.e. retirements, new positions: Administrative Assistant III, Cost Estimator, Litigation Manager, and Senior Claims Adjuster); staff employee benefits; office building conversions to accommodate for additional staff; general office supplies to digitize archived workers' compensation claims information; development of the Insurance Data Management System (IDMS) with regard to computer equipment, software, and office furniture; increased attendance for staff education/training seminars and coursework; delay in collection of Leadership Program fees regarding member informational workshops; increased Executive Committee involvement; increased costs for semi-annual ACWA Conferences and Board of Directors' expenses; additional utilization of consulting services for SharePoint and Office 365 migration; unanticipated general legal/attorney services; increased Department of Industrial Relations mandated fee regarding Workers' Compensation external claims administration; and the service to invoice delay regarding insurance programs claims audits.

Review and Provide Recommendation Regarding the Liability, Property, and Workers' Compensation Programs' CAT Fund Goals

Mr. deBernardi reviewed the current catastrophic funding (CAT Fund) goals of \$25 million for the Liability Program, \$15 million for the Workers' Compensation Program, and \$0 for the Property Program. The Liability and Workers' Compensation Program CAT Fund goals were determined by comparing the projected losses at expected (50-55% confidence level) versus the estimated outstanding losses at 99% confidence level. The difference between the numbers was used as a barometer to set the perspective goals. For the Property Program an analysis of this nature has not been done historically to determine a CAT Fund goal. There is, however, \$2 million in the Natural Disaster Fund – funds set aside in the Property Program that were meant to be used for the same purposes as CAT Funds.

Mr. deBernardi further stated that over time, loss trends change as well as JPIA membership. Reviewing and updating these goals based on updated actuarial information is prudent. Per review of the JPIA's recent actuary studies, the CAT Fund goals should be increased to \$29 million for the Liability Program, decreased to \$12 million for the Workers' Compensation Program, and established at \$14 million for the Property Program.

M/S/C (Bryant/Lyons) (Smith-Yes; Miller-Yes; Lyons-Yes; Crawford-Yes; Bryant-Yes; Rupp-Yes; Drake-Yes): That the Finance and Audit Committee recommends that the Executive Committee approve the new CAT Fund goals, as presented: Liability Program \$29M; Workers' Compensation Program \$12M; and Property Program \$14M.

IV. STAFF UPDATES

Finance Department Update

Mr. Steele reviewed projects currently underway and slated for the near future including ways to improve efficiency by using more electronic or AI based programs, such as Yooz, Visa Spend Clarity, Robotic Process Automation (RPA), Insurance Data Management System (IDMS), and an online ACH payment program.

Mr. Steele also stated that the Finance Department is preparing for the 2023-24 fiscal year end audit with Gilbert CPAs for the ninth year, as well as the retirement of staff member, Lindsey Johnson, Accountant III.

V. UPCOMING MEETINGS

There are no additional meetings scheduled for the remainder of the year. The Finance and Audit Committee is scheduled to meet next on March 27, 2025, at 1:00 p.m.

The Finance and Audit Committee meeting adjourned at 2:40 p.m.