



**CENTRAL ARIZONA WATER CONSERVATION DISTRICT
MEETING OF THE FINANCE, AUDIT AND POWER COMMITTEE
October 18, 2018**

Chairman Holway called to order a meeting of the Finance, Audit and Power Committee ("Committee") of the Central Arizona Water Conservation District ("CAWCD" or "CAP") Board of Directors on Thursday, October 18, 2018, at 10:04 a.m. The meeting was held at Central Arizona Project Headquarters Building, located at 23636 North Seventh Street, Phoenix, Arizona, in the Board Room.

Committee members present were Chairman Jim Holway, Maricopa County; Jennifer Brown, Maricopa County; and Mark Taylor, Pima County.

Staff members present were Ted Cooke, General Manager, Christopher Hall, Finance & Administration Director; Deborah Maust, Enterprise Risk Manager; Doug Dunlap, Finance and Accounting Manager; Jay Johnson, Legal; Ramon Ramirez, Internal Auditor; Suzanne Ticknor, Water Policy Director; Bridget Schwartz-Manock, Public Affairs Director; Megan Casey, Public Affairs Management Analyst; Jennifer Miller, Board Support Specialist and Samantha Simpson, Executive Secretary. There were approximately 12 members of the public in attendance.

CONSIDERATION OF ACTION TO APPROVE THE MINUTES OF THE SEPTEMBER 20, 2018 COMMITTEE MEETING

On a motion (Director Brown) and second (Director Taylor), the Committee approved the minutes of the September 20, 2018 meeting.

Voting yes: Brown, Holway, Taylor

Approved
Minutes of
September 20,
2018 meeting

DISCUSSION AND CONSIDERATION OF ACTION TO RECOMMEND THAT THE BOARD APPROVE THE INSURANCE PROGRAM AND CAPTIVE FUNDING FOR CALENDAR YEAR 2019

Deborah Maust presented the recommendations regarding the Insurance Program, which includes funding of the Captive for 2019. She provided visual slides demonstrating the lines of coverage and indicated that a market search has been completed. Ms. Maust stated that coverages and services were expanded which improved the program. She mentioned that Captive health benefits are the largest component of our insurance program and that there will be a 4% rate increase which remains below industry standard increases. The total Insurance Program cost requested is \$10,822,903. Jim Holway asked for an overview of Captive. Ms. Maust provided a brief history and overview of how Captive was created, along with how it is structured and maintained and went on to discuss the specific coverages included in Captive.

On a motion by (Director Taylor) and a second (Director Brown) The FAP Committee Recommends to the Board approval of the CAWCD Insurance Program and Captive Funding for the Calendar Year 2019.

Voting yes: Brown, Holway, Taylor

Recommendation
that the Board
approve CAWCD
Insurance Program
and Captive
Funding for
Calendar Year
2019

UPDATE ON INTERNAL AUDIT ACTIVITIES

Ramon Ramirez provided an update on audit activities. He indicated that fieldwork is ongoing for the Information Security Policy Audit and stated that the Purchasing Audit is underway. Mr. Ramirez also discussed the development of the 2019-2020 Audit Plan and

described the components of the plan. The draft plan will be provided to all Board members for any input with potential audits.

REPORT AND DISCUSSION OF 2019 BUDGET

Doug Dunlap stated that as part of the two-year budget planning process there is a mid-budget review and staff looks at the upcoming year's budget to ensure there are no significant changes. He also mentioned that staff compiles and publishes (quarterly) financial reviews, which are presented to the FAP Committee in the second and fourth quarters. He indicated that budget appears to be on track and indicated that there is a slight upward push in Capital Project costs but Project Management is working to keep the costs near budgeted amounts.

DISCUSSION FOR POTENTIAL DCP IMPLICATIONS

Doug Dunlap indicated that there is not a final strategy for Drought Contingency Plan (DCP) yet. Mr. Dunlap indicated that there are a lot of different variables that could have an impact and indicated that until DCP details are finalized, financial impacts are difficult to evaluate. He reviewed the currently proposed Drought Contingency Plan Components to set a little of the ground work and provided some estimates of the mitigation tools. He also covered the different Tier levels and shortage case assumptions. Mr. Dunlap provided an example regarding Shortage Case Assumptions and that there are a couple of forces to consider such as is water being added to deliveries and who is paying for it. He used wheeling agreements as an example as it would add delivery volume to help lower the rate at a constant cost. It was also clarified that capital charges are contractual and are paid regardless of the volume delivered. Mr. Dunlap also discussed the current NIA Priority Water allocation and different scenarios regarding Ag Mitigation Pool. The examples given were with a "Shortage in 2020" and "No Shortage in 2020". Doug provided projections for Stabilization Reserves which include Rate Stabilization, Voluntary Rate Stabilization and SO2 credit proceeds and indicated that these reserves could be utilized to smooth rate increases over 2-4 years, particularly in the initial year.

Suzanne Ticknor provided clarification regarding the firming obligation expressed in the settlements and indicated that the NIA priority federal water is firming to about the equivalent of M&I priority water for 100 years

Jim Holway asked that the differences between the 2007 Guidelines and the extra things that would need to be done because of DCP be considered. He indicated that some of the differences driving it might be financial implications, declines in the Ag pool and/or impacts to the Non-Indian Agriculture supplies and if there is going to be mitigation either with water or with money to buy water, the financial implications will need to be sorted out.

Ted Cooke added that the difference between the Guidelines and the DCP is that 192K A/F and where does it fall in the boundary between non-Indian Ag and the Ag pool and that really is the determining factor of where the mitigation needs to be applied, to whom and how much, and where will the money come from – is a moving target.

FUTURE AGENDA ITEMS

The next committee meeting is scheduled for November 15, 2018 (tentatively).

PUBLIC COMMENT

None.

ADJOURN

There being no further business to come before the Committee, the meeting adjourned at 11:33 a.m.



Jim Holway, Chair