



SHASTA-TRINITY SCHOOLS
INSURANCE GROUP

Serving Schools Since 1980

Finance Committee
January 9, 2014 – 1:30 p.m.
Shasta County Office of Education

Minutes

Members Present:

Adam Hillman
Phil Brown
Gretchen Deichler (arrived late)
Nancy Funk

Others Present:

Brooks Rice, STSIG
Leah Grant, STSIG
Mari Moore, STSIG (Contracted)
Nancy Jones (PFM Asset Management)
Sarah Meacham (PFM Asset Management)

Phil Brown called the meeting to order at 1:05 pm.

- 2.0 Acceptance of previous meeting minutes
Phil moved to approve minutes for the August 12, 2013 Finance Committee meeting.
Gretchen seconded. Motion carried. Unanimous
- 4.1 2012-13 Financial Audit
Kyle Rusten with Matson & Isom presented the financial audit. The financial audit produced no significant items to report. Issued a qualified opinion, which is the norm, as this audit does not include claim activity. STSIG is in a better net position this year than last year. Contribution revenue decreased due to decrease in members. Claims decreased proportionally. There were no deficiencies or material weaknesses in internal controls. No issues from M&I's perspective with moving to a more paperless office.

Recommendations: Give STSIG staff more authority to approve payments due to the separation of duties controls within the organization. The committee agreed that Brooks will have authority to approve payments in the future eliminating the need for an officer to log into NVB to approve. Consider auditing district payroll for workers' compensation reconciliation.



The individual committee members recommend forwarding the 2012-13 Financial Audit to the Board of Directors.

4.2 Year-to-Date Financial Reports

The committee reviewed the year-to-date financial reports. All programs are trending as expected. December has higher claims than previous trend; anticipating due to plan changes effective in 2014. There is approximately \$400,000 outstanding in Excess insurance. Further discussion is need regarding the handling of the reserves for different plan years. The 2014 medical plan changes is projecting a monthly decrease in revenue by \$100,000.

The individual committee members recommend forwarding the year-to-date financial reports to the Board of Directors.

4.3 Investment Report

The investment report was presented. LAIF's balance is 21M with interest at .26%. Other funds are in Bank of America or North Valley Bank

4.4 Bank of America Trust Account

The trust account structure was modified to comply with Health Care Reform. Health Care Reform mandates payment made to providers be paid via Automatic Clearing House (ACH) payment. The modifications include establishing a short-term line of credit to pay for ACH payments because the zero balance account cannot accept ACH payments by design.

The line of credit is automatically paid off by an automatic transfer form the operation account each day. No fees will be incurred. This modification was done with officer approval due to time constrictions. M&I is aware of this new structure and they have no concerns.

4.5 PFM/CAMP

Representatives from the PFM Group presented a proposal to renew our participation in CAMP and provide financial investment services which includes updating our investment policies and cash management strategies.

STSIG actively participated in CAMP from November 2005 to April 2009, after which funds were deposited into LAIF. In CAMP, STSIG earned \$1.5M in interest with an average balance of \$11M during the four years. The past five years STSIG has held its



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money in LAIF earning an average of .65% earning approximately \$500,000, with an average balance of \$18M.

STSIG moved funds to LAIF from CAMP because STSIG's portfolio was much smaller resulting in fee increases so LAIF was a better option due to those fees.

PFM explained that investing in CAMP now that our portfolio is larger, would provide more control over our investments and higher earnings due to longer investment periods resulting in a more predictable income. Each customers' portfolio is managed individually with the majority of their clients are public agencies. Corporate investments are rigorous screened and performance is monitored.

PFM's services would include:

- Investment policies review, modify policy where needed for compliance with government code
- Attendance at STSIG meetings to review portfolio & investment opportunities
- Portfolios are managed daily
- no commission on trades; have annual fee based on total assets invested
- Provide comprehensive reporting & resource for questions.

Adam moved to approve renewing STSIG's relationship with CAMP and PFM, Gretchen seconded. Motion carried. Unanimous.

Adjourn at 2:20 pm.