

# FDAC EMPLOYMENT BENEFITS AUTHORITY

## Board of Directors Meeting

Thursday, February 12, 2009

9:30 a.m. – 12:30 p.m.

**Sacramento Metropolitan Fire Protection District**

**2101 Hurley Way**

**Sacramento, CA 95825**

**(916) 566-4000**

### *Agenda*

<i>Item</i>	<i>Action</i>
<b>I. Welcome and Introductions</b>	
<b>II. Public Comment</b>	<b>Discussion</b>
<b>III. Consent Calendar</b>	<b>Info/Action</b>
A. Minutes <i>Review and approve minutes from the         December 16, 2008 Board Meeting.</i>	
B. Financials <i>Review and approve financials.</i>	
<b>IV. Kaiser/ Medicare</b>	<b>Info/Action</b>
<i>Update on the Novato Fire Protection District issue.</i>	
A. Follow-up on LHI meeting with Kaiser	
<b>V. 2007-2008 Audit</b>	<b>Info/Action</b>
<i>Review audit proposals.</i>	
<b>VI. Revised Investment Policy</b>	<b>Info/Action</b>
<i>Review and approve revised investment policy.</i>	
<b>VII. Carrier v. District Payments for 2009</b>	<b>Discussion</b>
<i>An update on the EBA's goal of bringing all districts in     line with carrier payments.</i>	
<b>VIII. Strategic Planning</b>	<b>Info/Action</b>
<i>Discuss the future goals and direction of the EBA.</i>	
A. CSAC EIA Presentation	
B. TC/SIG Presentation	
<b>IX. Election of Officers</b>	<b>Action</b>
<b>X. Adjourn</b>	<b>Action</b>

**FDAC Employment Benefits Authority**  
**Board of Directors Meeting**  
Tuesday, December 16, 2008

**In Attendance**

Mike McMurry, President  
Jim Hill, Vice President  
Ron Collier, Treasurer  
Charlene Virts, Director  
Lisa MacCubbin, Director

**Not In Attendance**

Catherine Smith, Administrator  
Melissa Dixon, Deputy Administrator  
Jason Andrew, LHI  
John Miller, LHI  
Rosa Soria, LHI  
Matt Schafer, BRMS  
Dave Turner

President Mike McMurry called the meeting to order at 10:12 a.m. A quorum was established, and there was no public comment.

The Board addressed the consent calendar. Director Ron Collier moved to approve the consent calendar; Director Lisa MacCubbin seconded. Motion passed unanimously.

Administrator Catherine Smith updated the Board on the status of the Kaiser Medicare issue with regard to Novato Fire Protection District, noting that there are two issues: 1) determine who is financially responsible for the approximately \$15,000 outstanding balance the EBA already paid to Kaiser to ensure continuation of coverage for Novato, and 2) determine how to handle the year (July 2008 through June 2009) until the retirees are able to have activated Medicare parts A and B. A number of phone calls had taken place between EBA staff, Kaiser representatives and EBA consultants to address these issues. With regard to the \$15,000, one possible solution was to split the amount four ways, between the EBA, LHI, BRMS, and Novato FPD. Director Collier moved to approve and accept the four-way split as resolution to the outstanding \$15,000. Director Jim Hill seconded; the motion passed unanimously.

With regard to the second issue, both Jason Andrew and Rosa Soria from LHI stated they have been working with Director MacCubbin to help address the issue, particularly trying for special enrollment for Medicare for the retirees. If that fails, LHI will work with Kaiser to negotiate a reduced fee for the year. Ms. Soria noted that Kaiser is now sending a letter on EBA letterhead notifying retirees that if they do not assign Medicare parts A and B, the EBA will drop their coverage.

With regard to the Medicare policy, the Board had several changes to make the draft including adding eligible dependents and making the third party administrator responsible for generating age-65 reports. Director Hill moved to approve the policy as amended; Director Collier seconded. The motion passed unanimously.

The Board then addressed the draft investment policy, deciding they wanted something simpler for the EBA. Staff will revise and return to the Board with a second draft.

Deputy Administrator Melissa Dixon informed the Board that an RFP had been sent to three audit firms, including the firm that handled the previous audit. We received only one response, for a cost of approximately \$13,000-\$15,000. The Board requested staff solicit new proposals. Matt Schafer recommended using the firm that audits BRMS.

The Board then turned its attention to strategic planning. David Turner provided the Board with a look at the economy, noting that 2009 should be slightly better but 2010 will be bad and 2011-12 will be most people and companies in survival mode. The state of the economy shouldn't much affect healthcare, except that we might see a slight decrease in utilization.

Mr. Turner expressed to the Board that the EBA should consider setting rates that reflect the EBA's claims experience. Part of the difficulties with having LHI negotiate low rates is that the rates end up being lower than our claims experience would dictate, a system which naturally lends itself to high renewal rates.

Deputy Administrator Dixon informed the Board that she had a conference call with Jason Andrew and the executive director of the Tri-Counties Schools Insurance Group (TCSIG). TCSIG is a large pool that is open not just to schools but all public agencies. They are looking to grow, and are interested in collaborating with the EBA. This would be another option, in addition to CSAC EIA. The Board would like to do more research into the possibility of merging with TCSIG, and hopes to hear proposals from TCSIG and CSAC EIA at the first meeting of the new year.

The Board went into closed session at 1:18 p.m. to discuss potential litigation. The closed session ended at 1:54 p.m.

The Board addressed the EBA's contracts with LHI, BRMS, Turner Consulting, and Smith Moore & Associates. Director Collier moved to extend the contracts for six months, or until June 30, 2009. Director MacCubbin seconded; the motion passed unanimously.

The next meeting is scheduled for February 12, 2009.

Having nothing further to discuss, the meeting was adjourned at 1:58 p.m.

Respectfully submitted,

Catherine Smith  
Administrator

**FDAC EBA**  
**Balance Sheet**  
As of December 31, 2008

Dec 31, 08

**ASSETS**

Current Assets

Checking/Savings

Margin Fund 383,285.17

Medical Reserve (BRMS held) 120,000.00

Money Market Account 8,727.37

US Bank 45,017.35

Total Checking/Savings 557,029.89

Accounts Receivable

Accounts Receivable 11,263.29

Total Accounts Receivable 11,263.29

Other Current Assets

Pre Paid Expense 3,333.33

Total Other Current Assets 3,333.33

Total Current Assets 571,626.51

**TOTAL ASSETS** 571,626.51

**LIABILITIES & EQUITY**

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable 45.33

Total Accounts Payable 45.33

Other Current Liabilities

Prior Year Income 75,554.55

Total Other Current Liabilities 75,554.55

Total Current Liabilities 75,599.88

Total Liabilities 75,599.88

Equity

Reserves & Contingencies 50,000.00

Retained Earnings 303,716.42

Net Income 142,310.21

Total Equity 496,026.63

**TOTAL LIABILITIES & EQUITY** 571,626.51

**FDAC EBA**  
**Budget vs. Actual**  
July through December 2008

	<u>Jul - Dec 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Interest	51.35	3,000.00	-2,948.65	1.71%
Miscellaneous Income	1,813.27			
Premium Earnings	4,005,960.48	8,461,224.41	-4,455,263.93	47.35%
Reimbursed Expenses	-41.17			
<b>Total Income</b>	<b>4,007,783.93</b>	<b>8,464,224.41</b>	<b>-4,456,440.48</b>	<b>47.35%</b>
<b>Expense</b>				
<b>Administration</b>				
Administration Contract	20,559.96	41,200.00	-20,640.04	49.9%
Third Party Administrator	59,406.50	93,500.00	-34,093.50	63.54%
FDAC Subsidiary Fee	10,000.00	20,000.00	-10,000.00	50.0%
<b>Total Administration</b>	<b>89,966.46</b>	<b>154,700.00</b>	<b>-64,733.54</b>	<b>58.16%</b>
Bank Service Charges	74.00			
Board Meetings	921.95	4,000.00	-3,078.05	23.05%
Broker	241,516.00	549,979.59	-308,463.59	43.91%
Carrier Payments	3,522,622.30	7,393,065.50	-3,870,443.20	47.65%
Insurance	1,181.18	1,500.00	-318.82	78.75%
<b>Operating Expenses</b>				
Postage and Delivery	40.83	500.00	-459.17	8.17%
Staff Travel	0.00	250.00	-250.00	0.0%
<b>Supplies</b>				
Office	60.00			
Supplies - Other	40.00			
<b>Total Supplies</b>	<b>100.00</b>			
Telephone	4.50	50.00	-45.50	9.0%
Operating Expenses - Other	0.00	1,000.00	-1,000.00	0.0%
<b>Total Operating Expenses</b>	<b>145.33</b>	<b>1,800.00</b>	<b>-1,654.67</b>	<b>8.07%</b>
<b>Professional Fees</b>				
Accounting	0.00	10,000.00	-10,000.00	0.0%
Consulting/Actuary	8,666.50	25,200.00	-16,533.50	34.39%
Legal Fees	380.00	15,000.00	-14,620.00	2.53%
<b>Total Professional Fees</b>	<b>9,046.50</b>	<b>50,200.00</b>	<b>-41,153.50</b>	<b>18.02%</b>
Training/Communication	0.00	5,000.00	-5,000.00	0.0%
<b>Total Expense</b>	<b>3,865,473.72</b>	<b>8,160,245.09</b>	<b>-4,294,771.37</b>	<b>47.37%</b>
<b>Net Ordinary Income</b>	<b>142,310.21</b>	<b>303,979.32</b>	<b>-161,669.11</b>	<b>46.82%</b>
<b>Net Income</b>	<b>142,310.21</b>	<b>303,979.32</b>	<b>-161,669.11</b>	<b>46.82%</b>

FDAC EBA  
Balance Sheet  
As of January 31, 2009

	<u>Jan 31, 09</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Margin Fund	383,285.17
Medical Reserve (BRMS held)	120,000.00
Money Market Account	8,727.37
US Bank	<u>16,682.39</u>
Total Checking/Savings	528,694.93
Accounts Receivable	
Accounts Receivable	<u>11,263.29</u>
Total Accounts Receivable	11,263.29
Other Current Assets	
Pre Paid Expense	<u>3,333.33</u>
Total Other Current Assets	<u>3,333.33</u>
Total Current Assets	<u>543,291.55</u>
<b>TOTAL ASSETS</b>	<u><u>543,291.55</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Prior Year Income	<u>75,554.55</u>
Total Other Current Liabilities	<u>75,554.55</u>
Total Current Liabilities	<u>75,554.55</u>
Total Liabilities	75,554.55
Equity	
Reserves & Contingencies	50,000.00
Retained Earnings	303,716.42
Net Income	<u>114,020.58</u>
Total Equity	<u>467,737.00</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>543,291.55</u></u>

**FDAC EBA**  
**Budget vs. Actual**  
July 2008 through January 2009

	Jul '08 - Jan 09	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Interest	51.35	3,000.00	-2,948.65	1.71%
Miscellaneous Income	1,813.27			
Premium Earnings	4,005,960.48	8,461,224.41	-4,455,263.93	47.35%
Reimbursed Expenses	-41.17			
<b>Total Income</b>	<b>4,007,783.93</b>	<b>8,464,224.41</b>	<b>-4,456,440.48</b>	<b>47.35%</b>
<b>Expense</b>				
<b>Administration</b>				
Administration Contract	23,986.62	41,200.00	-17,213.38	58.22%
Third Party Administrator	59,406.50	93,500.00	-34,093.50	63.54%
FDAC Subsidiary Fee	30,000.00	20,000.00	10,000.00	150.0%
<b>Total Administration</b>	<b>113,393.12</b>	<b>154,700.00</b>	<b>-41,306.88</b>	<b>73.3%</b>
Bank Service Charges	74.00			
Board Meetings	1,196.71	4,000.00	-2,803.29	29.92%
Broker	241,516.00	549,979.59	-308,463.59	43.91%
Carrier Payments	3,522,622.30	7,393,065.50	-3,870,443.20	47.65%
Insurance	1,181.18	1,500.00	-318.82	78.75%
<b>Operating Expenses</b>				
Postage and Delivery	40.83	500.00	-459.17	8.17%
Staff Travel	0.00	250.00	-250.00	0.0%
<b>Supplies</b>				
Office	80.00			
Supplies - Other	40.00			
<b>Total Supplies</b>	<b>120.00</b>			
Telephone	4.71	50.00	-45.29	9.42%
Operating Expenses - Other	0.00	1,000.00	-1,000.00	0.0%
<b>Total Operating Expenses</b>	<b>165.54</b>	<b>1,800.00</b>	<b>-1,634.46</b>	<b>9.2%</b>
<b>Professional Fees</b>				
Accounting	0.00	10,000.00	-10,000.00	0.0%
Consulting/Actuary	10,774.50	25,200.00	-14,425.50	42.76%
Legal Fees	2,840.00	15,000.00	-12,160.00	18.93%
<b>Total Professional Fees</b>	<b>13,614.50</b>	<b>50,200.00</b>	<b>-36,585.50</b>	<b>27.12%</b>
Training/Communication	0.00	5,000.00	-5,000.00	0.0%
<b>Total Expense</b>	<b>3,893,763.35</b>	<b>8,160,245.09</b>	<b>-4,266,481.74</b>	<b>47.72%</b>
<b>Net Ordinary Income</b>	<b>114,020.58</b>	<b>303,979.32</b>	<b>-189,958.74</b>	<b>37.51%</b>
<b>Net Income</b>	<b>114,020.58</b>	<b>303,979.32</b>	<b>-189,958.74</b>	<b>37.51%</b>

**FIRE DISTRICTS ASSOCIATION OF CALIFORNIA  
EMPLOYMENT BENEFITS AUTHORITY**

Board of Directors Meeting

Thursday, February 12, 2009

**AGENDA ITEM IV**

**I. Subject:**

Kaiser Medicare Rates/Novato – outstanding balance

**II. Program:**

Medical

**III. Requested Info/Action**

Provide resolution to outstanding balance

**IV. Background:**

There is an outstanding balance owed to Kaiser stemming from 3 employees at Novato who are being charged the Unassigned Medicare rate by Kaiser due to not having assigned their Medicare benefits to Kaiser. These employees will be able to do so now (during Medicare open enrollment) and will be effective July 1, 2009.

For the period of April 2007-March 2008, this generated an outstanding balance of approximate \$30,000. Of that balance Kaiser wrote off 50% (\$15,000) and the other \$15,000 was paid by Novato, BRMS, LHI and the EBA.

Moving forward for the period of March 2008 – July 1, 2009 there was projected to be an additional balance of approximately \$40,000.

\*\*\*(as of Feb 5, 2009 this amount is projected to be \$23,000 rather than \$40k).\*\*\*

**V. Analysis:**

There have been numerous conversations with Kaiser to ask for additional rate relief on these unassigned rates by LHI. We will provide an update at the board meeting but currently have not received any additional credits.

There has been verbal and written communication with CMS to ask for an SEP (special enrollment period) to get these employees on assigned rates early. Those requests have been met with a "no".

Jason Andrew and Jon Hilgers met with Chief Revere and Lisa McCubbin on Thursday, February 05, 2009 to discuss the status of this item and potential resolution.

LHI is having a meeting with BRMS to discuss potential resolution. We will provide an update at the board meeting.



# BODEN KLEIN & SNEESBY

Certified Public Accountants

RECEIVED

JAN 15 2009

January 13, 2009

Kevin Goree  
Smith Moore & Associates, Inc.  
1215 K Street, Ste 2290  
Sacramento, CA 95814

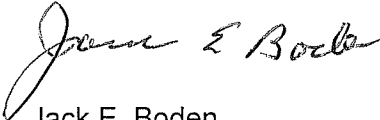
RE: Audit proposal Fire Districts Association of  
California Employment Benefit Authority

Dear Kevin:

Enclosed is our audit proposal for the Fire Districts Association of California. If you have any questions, please call. Thank you for the opportunity to submit this proposal.

Sincerely,

BODEN KLEIN & SNEESBY  
A Professional Corporation



Jack E. Boden

# BODEN KLEIN & SNEESBY

Certified Public Accountants

Date: January 8, 2009

To: Kevin Goree  
Smith Moore & Associates, Inc.  
1215 K Street Suite 2290  
Sacramento, Ca. 95814

From: Jack Boden  
Boden Klein & Sneesby  
3005 Douglas Blvd. Suite 115  
Roseville, Ca. 95661

Subject: Audit Proposal for the Fire Districts Association of California  
Employment Benefit Authority for the year ending June 30, 2008

We are providing the following information in response to your request for audit services for the Fire Districts Association of California Employment Benefit Authority.

1. We are licensed by the California State Board of Accountancy to provide audit services. Our license number is COR 4918. A copy of our most recent peer review report is attached.
2. We have over 20 years experience in providing audit services to government agencies, non -profit organizations and for profit companies.
3. See appendix A for a partial list of present and past audit clients
4. Our firm consists of 9 persons including 5 CPA's with a combined audit experience of over 50 years. All of our staff is available to assist in the audit. Jack Boden will be the principal auditor and will be available to meet with fiscal personnel as needed. Any additional service that you may require from time to time will be provided at the hourly rates indicated below. The fees for additional services do not include the cost of any materials which may be purchased by us on your behalf or any reasonable or necessary traveling expenses including mileage from our office to any of your operating offices at the prevailing rate approved by the Internal Revenue Service.

Classification

Hourly Rates

Principal Certified Public Accountant

\$175.00

Senior Accountant

135.00

Clerical & Typing

75.00

5. Time is of the essence in completing this audit due to heavy work load during the tax filing season. The audit will commence as soon as possible after acceptance of our proposal and receipt of a signed engagement letter. We will provide a listing of documents to be provided to us and will begin the audit as soon as the documents are available. It is anticipated a draft copy of the audit report will be provided within 2 weeks of commencing the audit. Upon acceptance of the draft, finalized copies will be provided.
6. Our fees for the proposed services will not exceed \$7,750.00 and will be all inclusive.

**APPENDIX A  
AUDIT CLIENTS**

**SCHOOL DISTRICTS**

Galt High School District  
Galt Joint Union School District

**GOVERNMENT**

Desert Freeze, Inc.  
Galt Joint Powers Authority  
Meridian Fire Protection District  
Reclamation District #3  
Reclamation District #70  
Reclamation District #349  
Reclamation District #544  
Reclamation District #1002  
Reclamation District #1660  
Reclamation District #2110  
Sierraville Public Utility District  
Walnut Grove Fire Protection District  
Williams Fire Protection District  
Williams, City of

**NON PROFIT**

Alliance of Catholic Health Care  
Arbiter Foster Family Agency  
Big Brother & Sisters of the Greater Sacramento Area  
Butte Slough irrigation co., Ltd  
California Biomedical Research Association  
California Correctional Peace Officers Association  
California Emergency Foodlink  
California Museum for History, Women and the Arts  
California State Grange  
California Society for Biomedical Research  
California Women's Law Center  
Center for Cultural Innovation  
Cross Creek Counseling, Inc.  
Diocese of Santa Rosa - Chancery Office  
Families For Early Autism Treatment  
Food Bank of El Dorado County  
Gateway Residential Operations  
Geothermal Resources Council  
Greater Los Angeles Agency on Deafness  
Mathiot Group Homes  
Ministry Leadership Center  
Norcal Center on Deafness, Inc.  
Quality Education Services & Training  
RX Staffing & Home Care  
Volunteers In Victim Assistance

**OTHER**

Blackburne & Brown Mortgage Company  
Blackburne & Brown Mortgage Fund I  
Benefits & Risk Management Services  
C Loans, Inc.  
Deafness Affordable Housing Corporation  
Deaf West Theatre Co., Inc.  
Delegata Corporation  
Dinner My Way  
ECO Logic Engineering  
Lake Tahoe Visitors Authority Inc  
Pacific Coast Building Products, Inc.  
Prime Time Boxing Franchise Inc.  
Quest Media & Supply, Inc.  
Refnes Construction Co., Inc.  
Senior Gleaners, Inc.  
Valley Financial, Inc.  
Whal Properties, LP  
Walnut Grove Homeowners Association  
West Yost Associates  
Yolo Community Care Continuum

**CHIANG, HAMMON & COMPANY**

**Certified Public Accountants**

2007 W. Hedding Street, Suite 207 San Jose, CA 95128

(408) 244-2002 (408) 244-2333 Fax

January 9, 2007

To Boden & Company  
An Accountancy Corporation

We have reviewed the system of quality control for the accounting and auditing practice of Boden & Company an Accountancy Corporation for the year ended May 31, 2006. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with the system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and cross-section of the firm's auditing practice with emphasis on higher-risk engagements. The engagements selected included audits of engagements performed under Government Auditing Standards. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

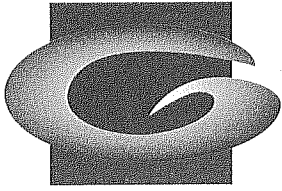
In performing our review, we obtained an understanding of the system of quality control for the firm's auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of

changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Boden & Company an Accountancy Corporation in effect for the year ended May 31, 2006, has been designed to meet the requirements of the quality control standards for an auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

As is customary in a system review, we have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.

*Chiang Hammon & Co.*  
Chiang, Hammon & Company



Gilbert Associates, Inc.  
CPAs and Advisors

RECEIVED

FEB 02 2009

RECEIVED

FEB 02 2009

January 30, 2009

Smith Moore & Associates, Inc.  
1215 K Street, Suite 2290  
Sacramento, CA 95814

RE: Fire Districts Association of California Employment Benefit Authority

Gilbert Associates, Inc. is unable to submit a proposal for audit services at this time.

Due to our current work schedule, we do not feel we can adequately provide you with the quality of service we are accustomed to providing. We do, however, wish to remain on your list of prospective auditing firms so that we may have a future opportunity to be of service to you.

Respectfully,

GILBERT ASSOCIATES, INC.

Kevin S. Wong, CPA  
Shareholder

**DRAFT**  
**FDAC Employment Benefits Authority**  
**Investment Policy**

POLICY

Under the authority granted by the FDAC EBA Board of Directors, the Treasurer (or his or her designee) is responsible for investing FDAC EBA funds.

The investment of the funds of the FDAC EBA is directed to the goals of safety, liquidity and yield. The primary objective of the investment policy of the FDAC EBA is safety of principal. The secondary objective shall be to meet the Authority's liquidity needs. The third objective shall be to achieve a return on the funds under the FDAC EBA's control. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management control. The FDAC EBA's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

OBJECTIVES

**Safety of Principal**

Safety of principal is the foremost objective of the FDAC EBA. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The Authority shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the FDAC EBA's capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the FDAC EBA's investment portfolio to one year, the maximum maturity of any one security to two years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long-term securities for the sole purpose of short-term speculation.

**Liquidity**

Because the FDAC EBA is responsible for paying insurance carriers, cash flow is generated on a monthly basis. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the Authority's investment portfolio will remain sufficiently liquid to enable the FDAC EBA to meet all reasonably anticipated operating requirements. All investments should be up to one year maximum in length. In addition, they will be laddered for maximum liquidity. For example, a one-year CD may be purchased in quarterly increments, so that a CD matures every quarter and the FDAC EBA is never more than three months away from liquidity on at least twenty-five percent (25%) of its funds.

**Return on Investment**

Maximizing the return on the FDAC EBA's investments is of utmost importance to the Authority. The objective here is to be competitive with the average return on a one-year CD or Treasury.



## AUTHORIZED INVESTMENTS

Investment of FDAC EBA funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

<u>Diversification by Investment</u>	<u>Maximum % of Portfolio</u>
U.S. Treasury Obligation (Bills, Notes, Bonds)	100%
Certificates of Deposit (CD) Commercial Banks or State	100%
Money Market	100%
LAIF (Local Agency Investment Fund)	100%

Ineligible investments are those that are not described herein, including but not limited to, common stocks and long-term (over 5-years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances may arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be approved by the Board of Directors prior to purchase.

## LEGISLATIVE CHANGES

Any State of California legislative action that affects allowable maturities, investment type or percentage allocations, will be incorporated into the FDAC EBA's Investment Policy and supersede any and all previous applicable language.

## INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio.

## POLICY REVIEW

The FDAC EBA's investment policy shall be adopted by the Board of Directors. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be approved by the FDAC EBA Board of Directors.

# FDAC EBA TRAVEL/EXPENSE REIMBURSEMENT REQUEST

Name: \_\_\_\_\_ Claim Date: \_\_\_\_\_

Client: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ Zip: \_\_\_\_\_

## **TRAVEL EXPENSES:**

FROM: \_\_\_\_\_ TO: \_\_\_\_\_

DATE(S): \_\_\_\_\_

PURPOSE (check one): \_\_\_\_\_

1. Private Vehicle: \_\_\_\_\_ miles @ \$.55 per mile \$ \_\_\_\_\_

2. Commercial Transportation: Mode \_\_\_\_\_ \$ \_\_\_\_\_

3. Bridge Tolls \$ \_\_\_\_\_ + Parking \$ \_\_\_\_\_ \$ \_\_\_\_\_

4. Lodging: Location \_\_\_\_\_ \$ \_\_\_\_\_

5. Meals: \_\_\_\_\_ \$ \_\_\_\_\_

## **MISCELLANEOUS EXPENSES** (Supplies, etc.)

Please explain: \_\_\_\_\_ \$ \_\_\_\_\_

(attach additional sheets if necessary)

**TOTAL EXPENSES** \$ \_\_\_\_\_

I certify that the above is a true accounting of transportation and other allowable expenses and understand that **RECEIPTS MUST BE ATTACHED** to receive payment.

Please make check payable to: \_\_\_\_\_

and mail to: \_\_\_\_\_

## **CLAIMANT SIGNATURE** \_\_\_\_\_

FDAC EBA will not reimburse without receipt- **NO EXCEPTIONS**  
All claims must be submitted sixty (60) days of expenditure to be considered for  
reimbursement - **NO EXCEPTIONS**

Remit Claims to: 1215 K Street, Suite 2290 \* Sacramento, CA 95814

FDAC EBA TREASURER APPROVAL \_\_\_\_\_