



CALIFORNIA ASSOCIATION OF MUTUAL WATER COMPANIES JOINT POWERS RISK
AND INSURANCE MANAGEMENT AUTHORITY
BOARD MEETING MINUTES - TUESDAY, APRIL 19, 2022 - 1:30 PM

Zoom Meeting

<https://us06web.zoom.us/j/85461497148?pwd=MXdXQUVQeXlvdWVheTVtVjBmS2g2dz09>
Meeting ID: 854 6149 7148 Passcode: 261666

1. Call to Order. President Michalko called the meeting to order at 1:30 PM.

2. Roll Call.

Present:

Dave Armstrong, South Mesa Water
Company
Ken Bradbury, Secretary, Montebello
Land and Water
Jim Byerrum, California Domestic Water
Company
Dave Michalko, President, Valencia
Heights Water Company
Doug Nunneley, Vice President, Oildale
Mutual Water Company
Ken Tcheng, Sunny Slope Water
Company
Lisa Yamashita-Lopez, Rubio Cañon
Land and Water Association

Staff

Jim Ciampa, General Counsel
Myra Malner, Assistant Secretary and
Treasurer
Adán Ortega, Communications Director
Susan Allen, Chief Executive Officer
George Pappas, Insurance Administrator
Chase Gilmore, Insurance Administrator
Paul Fuller, Insurance Administrator
Madeline Chen, Ortega Strategies Group
Jesus Silva, Ortega Strategies Group
Ceili Tuttle, Ortega Strategies Group

Members

Steve Lenton, Bellflower Somerset
Mutual Water Company

Absent:

Dave Pedersen, Las Virgenes Municipal Water District
Marina West, Bighorn-Desert View Water Agency

3. Public comment: No public comment.

4. Consideration and Possible Adoption of Resolution No. 04-2022-01 to Authorize Remote Teleconference Meetings of the JPRIMA Board of Directors and Make Related Findings and Determinations. On a motion by Director Byerrum, seconded by Director Armstrong the resolution was unanimously approved by roll call vote.

General Counsel Ciampa reminded the Board that AB 361 is conditioned on a continued state of emergency, and either continuing state and local guidance for social distancing, and/or an imminent risk to health and safety of attendees at the meeting. With recent

upticks of COVID associated with a new variant, the Governor's declaration of a state of emergency is likely to remain in effect for some time. When the declaration of the state of emergency is withdrawn, COVID conditions improve to the point where the required findings cannot be made or the law sunsets, the Board will conduct meetings as it did pre-COVID and when meeting remotely, post agendas at each location and provide access to each location to members of the public.

5. Approval of the Minutes of the CalMutuals JPRIMA Board Meeting on March 15, 2022. On a motion by Secretary Bradbury, seconded by Director Yamashita-Lopez, the Board approved the minutes of the March 15, 2022 Board meeting by roll call vote, 6 Yes, 0 No and 1 Abstention by Director Armstrong given that he was not in attendance at that meeting.
6. President's Report. No President's report.
7. Consideration and Approval of Demand Sheet. Treasurer Malner reviewed the Demand Sheet included in the Board meeting packet. On a motion by President Michalko, seconded by Secretary Bradbury, the Board unanimously approved the Demand Sheet by roll call vote.
8. Financial Report. Treasurer Malner reviewed the budget and cash flow report included in the Board meeting packet. On a motion by Director Tchong, seconded by Director Byerrum, the financial report was unanimously approved by roll call vote.

Treasurer Malner advised Board of her plans to step down as Treasurer as of end of May 2022. President Michalko and CEO Allen expressed deep appreciation for her contributions to the success of the Authority, beginning with its founding in 2016.

9. Discussion of Authority's Tax-Exempt Organization Application and Potential Alternatives. President Michalko and General Counsel Ciampa reported on the notice received from Internal Revenue Service, included in the Board meeting packet, denying the Authority's request for tax exempt status. The Authority initially believed it would be exempt as a public organization but learned that this was not allowable given that the Authority includes private company members. The Authority then filed its application for recognition of tax-exempt status under Section 501(c)12 and the IRS rejected that application stating that Authority is not a mutual water company even though underlying members are.

Options available to the Authority include filing an appeal, applying under another category as business association or do nothing and increase investments in support of small systems and/or identify other strategies to minimize tax liability. CalMutuals JPRIMA consulted with James Marta and Associates and were advised that it is not likely to prevail with an appeal or filing under another subsection.

The consensus of the Board was to look for ways to reduce tax liability. One alternative may be to revisit the allocation of insurance residuals and reduce the allocation to

CalMutuals JPRIMA to what is required to address core expenses. Director Byerrum reminded the Board that the Authority's enabling legislation makes clear that insurance residuals cannot be used for lobbying and noted that diligent tracking will continue to be needed to ensure that CalMutuals' lobbying is funded solely through membership dues.

10. Consideration and Potential Approval of Clifton, Larson, Allen LLP

Treasurer Maler reviewed the audit engagement letter with a 3-year option, included in Board packet. On a motion by Director Byerrum, seconded by Director Armstrong, engagement of Clifton, Larson, Allen was unanimously approved by roll call vote.

11. Consideration and Potential Approval of James Marta and Company LLP

Treasurer Malner reviewed the James Marta and Company engagement letter for preparation of Federal Income Tax Returns. Director Byerrum noted that the Authority engaged this firm because they were also assisting us with the tax-exemption application with the IRS and asked if we now would like to explore reliance on Clifton, Larson, Allen to assist with income tax preparation. President Michalko recommended that the Authority continue with James Marta and Company for the current year and reconsider for the future. On a motion by Secretary Bradbury, seconded by Director Tchong, engagement of James Marta and Company was unanimously approved by roll call vote.

12. Chief Executive Officer's Report. Chief Executive Officer Allen provided the following updates to the Board:

- a. CalMutuals JPRIMA's May Board of Directors meeting will be held in person on Thursday, May 12, 2022, 11 AM – 2 PM, at Celestino's Restaurant, 141 S Lake Ave, Pasadena, CA.
- b. The CalMutuals JPRIMA 2021 Annual Report is near completion and will be available to the Board for review in advance of the May Board meeting.
- c. The Resources and Education Report included in the Board meeting packet details enrollment by members in continuing education courses funded by the Authority, enrollment in AB54/AB240 training and requests for information and assistance in March and April to date.
- d. CalMutuals JPRIMA and The Zenith are jointly sponsoring a webinar: *Fighting Fraud in CA Workers' Compensation*, Tuesday, May 10, 2022, 10:00 AM – 11:00 AM
- e. CEO Allen participated in a two-day AWWA Cybersecurity Forum on April 18-19, 2022. The forum addressed challenges and best practices for the water industry. Ms. Allen advised the Board of AWWA's Cyber Security assessment tool and guidance that is considered the gold standard for the water industry [Cybersecurity & Guidance | American Water Works Association \(awwa.org\)](#), and shared updates on AWWA efforts to collaborate with the EPA to establish co-regulation of cybersecurity and availability of Federal and State funding to support cybersecurity needs for water systems.

13. Insurance Administrator's Report. Insurance Administrator Fuller expressed appreciation to Myra Malner for the contributions she has made to the Authority. He noted that she regularly went above and beyond and was extraordinarily helpful in navigating the requirements of OSIP.

Insurance Administrator Fuller reported that the Authority generated over \$1M in new premiums this year. CalMutuals JPRIMA lost three members and gained two. He noted that several larger Districts are currently exploring insurance with CalMutuals JPRIMA and he will share updates at the May Board of Directors meeting.

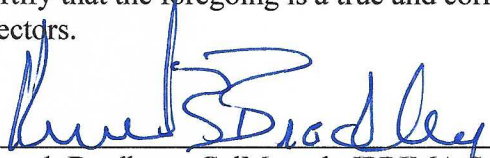
George Pappas reviewed the Insurance Report included in the Board meeting packet and reported that Workers Compensation renewal is going smoothly.

14. General Counsel's Report. No General Counsel's report.
15. Communications Report. Communications Director Ortega advised the Board that CalMutuals JPRIMA is referenced AB2054 (Quirk-Silva) currently being considered by the legislature. The bill, which would recognize the tax-exempt status of mutual water companies, is conditioned on increased application for grants by mutuals and sunsets after 5 years. Mr. Ortega is optimistic that bill will be approved.
16. Director Comments. No Director's comments.
17. Adjournment. President Michalko adjourned the meeting at 2:27 PM.

Agenda Posted: April 15, 2022

SECRETARY'S CERTIFICATE:


I certify that the foregoing is a true and correct copy of the minutes approved by the Board of Directors.



Kenneth Bradbury, CalMutuals JPRIMA Secretary

5/12/22
Date

Affirmed By:



P. David Michalko, CalMutuals JPRIMA President

5/12/22
Date