

Draft Minutes
Finance Committee
October 4, 2010

Attendees: Buddy Cook – Chair, Steve Swan – Vice Chair, Pat Wendland, Bill Cobb, Allan Hitchcock – Board Liaison, Karl Ansbach, Earl Foster and Margaret Cathey

1. Financial Audit Proposals

We received five proposals with PMB Helin Donovan submitting the lowest bid. They have given the District a discount since they are currently doing the internal audit. Steve Swan made a motion to recommend PMB Helin Donovan to the Board for the District's financial audit. Pat Wendland seconded the motion. Motion passed unanimously. Buddy will send a formal recommendation to Ansbach.

2. Copy of Chase Bank Contract

A copy of the current contract which ends in May 2011 will be given to all members of the committee.

3. Insurance Changes

The Committee agreed at the last meeting to recommend to the Board to increase the lost revenue to \$500,000 in case of a disaster at a cost of <\$700 per year in order to release the \$500,000 in contingency. The Committee needs to recommend to the Board how they want to allocate the \$500K. Ansbach recommended that \$200K be allocated to the debt service, since revenue will be short this year due to the rain; \$200K to the rate stabilization reserve so it could possibly be used next year, since rates typically increase due to rain; and keep \$100K in contingency. A copy of the Rate Stabilization Order will be given to all members of the committee.

The Committee had already agreed at the last meeting to recommend to the Board to increase the property deductible from \$1,000 to \$5,000. Cathey read the email from TML which stated: "The contribution drops from \$13,428 to \$11,577 for a savings of \$1,851. This coverage includes flood and quake at a \$25,000 deductible (that's what you already had on F&Q). I did a rough count of the property at \$5,000 and below and came up with a total reduction in limits of \$121,000 which would save the district about \$165.00 total.

I don't recommend this step for the following reason: You are taking on more risk than the dollars warrant. The District would be increasing its exposure by \$4000 for each and every location in order to save \$1,851 in contribution. I did a rough analysis. Looking at the property claims history from 1993 to 2008, the District had 11 claims for \$74,244. Had the District taken the \$5000 deductible all along, TMLIRP would have paid out only \$36,467 of those losses. The District would have saved \$27,765 in contribution (assuming 15 years x \$1,781) but paid out \$38,000 for the claims within the deductible."

Buddy will send a formal recommendation on both to Ansbach.

The Committee requested that our financial advisor present information regarding our debt service at the next committee meeting.

4. Construction Money

Ansbach summarized all of the District's money in which all money has been allocated to various construction projects.

5. Earnest Money Contract

Ansbach briefed the committee on the current state of the contract.

Meeting adjourned at 3:45pm.