

# Minutes of Board of Directors Meeting

**Final – Approved July 9, 2014**

May 2 and May 14, 2014

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held a meeting on May 2, 2014, in Sacramento, CA. The Board considered all the items on the publicly noticed meeting agenda, including convening an executive (closed) session to discuss personnel and banking matters. The executive session was reconvened on May 14 in order to complete the discussion of banking and personnel matters.

The meeting was called to order by the Chair, Matthew Rodriguez, at 10:02 a.m. Pacific Time. Lee Alter kept the minutes of the meeting. Consecutive interpretation between French and English was provided during the open session. Two members of the public attended the meeting in person, and approximately six attended by phone.

## Attendance

The following Directors were present, constituting a quorum pursuant to the By-Laws:

- Matthew Rodriguez , Chair
- Geneviève Moisan, Vice Chair (by phone)
- Tim Lesiuk, Secretary (by phone)
- Michael Gibbs, alternate for Mary Nichols, Treasurer
- Jean-Yves Benoit (by phone)
- Alain Houde (by phone, non-voting)
- Kip Lipper (by phone, non-voting)

Also present were:

- Richard Corey, State of California
- Mark Wenzel, State of California
- Michael Bedard, (for Assemblymember Skinner ) (by phone)
- David Tiffin, Province of Ontario (by phone)
- Patrick Cummins, WCI, Inc. Executive Director
- Lee Alter, WCI, Inc. Project Manager
- Bill Simi, CPA Corporation
- Cliff Case, Carter, Ledyard, and Milburn (by phone)
- Jennifer Hill, Crowe Horwath

- Matt Nethaway, Crowe-Horwath (by phone)
- Bryan Lopuck, Lionbridge translator (by phone)

Mr. Rodriguez asked if there were any questions or suggestions regarding the agenda. There were none.

### **I. Approve December 9, 2013 Board Meeting Minutes**

Mr. Cummins noted that the spelling of Ms. Griffiths' name will be corrected in the minutes.

Mr. Rodriguez noted that the December 9, 2013 minutes indicate that the Board adopted the WCI, Inc. 2014/2015 budget with two provisions: 1) The Board will review the WCI, Inc. budget after the California Legislature and the Québec Executive Council take action on their respective budgets, but no later than the next annual meeting of the Board, and 2) The Board acknowledges that adopting the two-year budget for WCI, Inc. is not intended to, and does not, prejudice the future actions of the jurisdictions' legislative or executive processes. Mr. Rodriguez requested that these two points be added to the text of the budget document adopted in December. Mr. Rodriguez also requested that the Board review the budget this summer after California and Québec have adopted their budgets, and not wait until the Board's annual meeting.

Michael Gibbs made a motion to approve the December 9 minutes. The motion was seconded by Mr. Benoit and unanimously approved by the Board.

### **II. WCI, Inc. Funding Agreement with the California Air Resources Board**

Mr. Cummins provided the following background. The WCI, Inc. budget was adopted by the Board in December 2013 and posted to the public website. Based on the funding proration agreed to by California and Quebec, the budget indicates \$4 million in funding from ARB for technical and administrative services for calendar years 2014 and 2015. This would be the second two-year agreement between ARB and WCI, Inc. ARB has prepared an agreement for that amount and has provided it to WCI, Inc. for consideration. Per the terms of the agreement, WCI, Inc. will invoice quarterly in arrears. The agreement includes language stipulating that funding is contingent on appropriations by the State in the Budget Act.

Mr. Rodriguez asked if there were questions from the Board or the public. There were none.

Ms. Moisan made a motion to approve the ARB funding agreement. The motion was seconded by Mr. Lesiuk and unanimously approved by the Board.

### **III. Designation of Use of Western Governors' Association Contribution**

Mr. Rodriguez provided the following background. Before WCI, Inc. was created, technical and contracted support for the Western Climate Initiative (WCI), an informal organization of states and provinces, was provided through the Western Governors' Association (the "WGA"). When the

arrangement with WGA ended last year, approximately \$192,000 was being held by the WGA for purposes of the WCI. States and provinces contributed this money to WGA to further the objectives of the WCI, including to look at carbon pricing. WGA transferred these funds to WCI, Inc., which is solely a technical organization supporting the California and Québec cap-and-trade programs. WCI, Inc. needs to recognize that these funds are for use for states and provinces in carbon pricing programs, as was originally intended. The Board has been asked to make that designation explicit by the auditors. The action before the Board is to make that designation.

Mr. Cummins noted that the designation would be effective back to the date on which the funds were received.

The following resolution was proposed:

*RESOLVED that the funds contributed by the Western Governors' Association are designated for logistical and technical support for discussions about carbon pricing among US states and Canadian provinces.*

Mr. Benoit requested that a French translation of the resolution be added to the French version of the Board's agenda.

Mr. Gibbs moved to approve the resolution. The motion was seconded by Ms. Moisan. Mr. Rodriguez asked if there was any further discussion by the Board or questions from the public. There were none. The resolution was approved unanimously.

Mr. Rodriguez noted that the Board would decide how to move the funds to support carbon pricing at a future meeting.

#### **IV. 2013 Audit Report and Audited Year End Financial Statement**

Jennifer Hill introduced herself and Matt Nethaway as the auditors from Crowe Horwath. Ms. Hill provided the following background. The auditors had met with the Audit Committee and gone over the financial statements. Crowe Horwath performed the audit according to auditing standards generally accepted in the United States and formed an opinion. Crowe Horwath met with the WCI, Inc. Audit Committee prior to starting the audit to review the scope and timing of the audit. There were no new accounting policies implemented during the audit period. The auditors went over significant accounting estimates, and informed the Audit Committee that there were no misstatements, and therefore no adjustments needed to the financial statement. Crowe Horwath also found no disagreements with WCI, Inc. management or its accountants. Crowe Horwath received a Representation Letter signed by the WCI, Inc. Executive Director indicating that all relevant information has been provided by WCI, Inc. Ms. Hill stated that the auditors had formed an unmodified opinion, which is what one would like.

Ms. Hill asked if there were any questions. There were no questions. Mr. Rodriguez noted that the documents went through the Audit Committee, which requested some changes, which were made. He thanked Crowe Horwath. Ms. Hill thanked the staff.

Mr. Cummins noted that no formal action on the audit was required by the Board, although it may have voted to accept the report, at its discretion. Mr. Rodriguez suggested the Board simply accept the report without a formal vote.

## V. 2013 Federal and State Tax Returns

Bill Simi from CPA Corporation, the WCI, Inc. accountants, introduced himself and identified the documents that CPA Corporation prepared for WCI, Inc., which are Federal Form 990, CA Form 199, and CA Filing RFF-1. Mr. Simi summarized how the forms were prepared. CPA Corporation prepared the forms with the help and input of WCI, Inc. management and Board members. CPA Corporation conducted an internal quality review of the information and then provided it to the WCI, Inc. Audit Committee for its review. Some changes were made at the request of the Audit Committee. The forms were then subjected to technical and compliance review by WCI, Inc.'s auditor (Crowe Horwath). Mr. Simi noted two minor changes and one other matter. One minor change concerned listing of volunteers. As a result, page 1 of Form 990 was amended to include the number of volunteers, which includes the seven Class A directors who served in 2013. Charles LaRochelle, who served as a class A director for part of the year, was added to the list of named directors in Part VII of the form 990. The other matter concerned payments to Markit, which is a WCI, Inc. contractor based in London. Specifically, the auditor asked if this would constitute an additional activity outside the U.S., thereby requiring disclosure on Schedule F. At CPA Corporation's recommendation, Markit was not included on Schedule F because it would imply there were program activities being conducted in the United Kingdom, whereas Markit's services for WCI, Inc. are based out of their US locations. Instead, Section 7, indicating recipients of payments, is the more appropriate place to disclose Markit payments since Markit's work is actually performed in the U.S. The other minor change was to update the name of the Québec ministry, which was changed after their recent election.

Mr. Wenzel asked if Class B directors should be included on the count of the volunteers. Mr. Simi noted that it is not required to disclose any volunteers, but Bill recommends at least including the Class A directors.

Mr. Gibbs asked what the filing date is. Mr. Simi replied that the filing deadline for all forms was May 15.

Mr. Rodriguez asked if there were any questions from the Board or the public. There were none.

Mr. Benoit moved approval of all three forms as discussed. The motion was seconded by Mr. Lesiuk. Mr. Rodriguez asked if there was any further discussion by the Board or questions from the public. There was none. The motion was unanimously approved by the Board.

Mr. Cummins explained that the meeting would now go into an executive session (closed) to discuss banking and personnel matters, and that the public portion of the meeting would be reopened briefly after the executive session.

The meeting was reopened to the public at 11:25 a.m. Pacific Time. Upon reopening the public session, Mr. Rodriguez noted that the executive session was recessed and will reconvene to complete the discussion of personnel matters. Mr. Gibbs moved to recess today's meeting and reconvene on May 14 at 10:00 a.m. Pacific Time. Ms. Moisan seconded the motion, which was unanimously approved by the Board. The time for the continuation of the executive session was posted on the WCI, Inc public website. The meeting was recessed at 11:27 a.m. Pacific Time.

Directors reconvened in executive session at 10:07 am Pacific Time on May 14, 2014, to complete the discussion of banking and personnel matters.

### **Adjournment**

With unanimous consent, the meeting adjourned at 10:55 am Pacific Time on May 14, 2014.

Respectfully submitted,

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Tim Lesiuk, Secretary