

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, DECEMBER 18, 2014
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:02 P.M.

Committee members in attendance: P. Suess, C. Janc, J. Pruyn, D. Russo (arrived at 6:08 P.M.) and J. Zay (arrived at 6:08 P.M.)

Committee members absent: none

Non-Committee members in attendance: none

Also in attendance: J. Spatz, T. McGhee, C. Peterson, D. Ellsworth, D. Novotny and Representatives from PFM

Minutes

Commissioner Janc moved to approve the Minutes of the Regular Committee Meeting of November 20, 2014 of the Finance Committee. Seconded by Commissioner Pruyn and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

R-33-14

General Manager Spatz noted that the small changes addressed in prior meetings had been made for the final version being presented. Chairman Suess stated that the bottom line was that the Commission was establishing a capital reserve to fund capital improvements. General Manager Spatz mentioned that with the request to transfer funds from the General and Sales Tax accounts, the Commission is getting a good start to funding the Capital Reserve Account, yet still leaving funds in the General and Sales Tax Accounts. He stated that the Commission should be able to meet the target by 2016.

Commissioner Pruyn moved to recommend Resolution R-33-14: A Resolution Amending the Reserve Fund Policy of the DuPage Water Commission. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

R-34-14

General Manager Spatz stated the changes in the Investment Policy include adding language for the new Capital Reserve Account, and extending the length of maturities and benchmark for the Long-Term Water Capital Account.

Commissioner Pruyn moved to recommend Resolution R-33-14: A Resolution Amending the Investment Policy of the DuPage Water Commission. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Request for Board Action: Transfer of Funds

General Manager Spatz discussed that the General Account had a balance of approximately \$18M of which \$12M would be transferred to the Capital Reserve Account and the Sales Tax Account had over \$7M of which \$5M would be transferred as well. He reiterated that is was a good start for the initial funding of the new reserve account.

Commissioner Janc moved to request from the Board the Authorization to transfer funds from the General Account and the Sales Tax Account to the Capital Reserve Account. Seconded by Commissioner Pruyn and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Request for Board Action: Audit Services

Chairman Suess noted that the recommendation was what discussed in the prior meeting. Commissioner Pruyn asked if the optional third year was the Commission's choice. General Manager Spatz said yes and the price quoted was under the \$32,000 not to exceed being recommended.

Commissioner Janc moved to request the Board for the Authorization for the General Manager to engage in a two year agreement with Sikich LLC for audit services at the DuPage Water Commission for a not to exceed amount of \$32,000 per year. Seconded by Commissioner Pruyn and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Approval of Reconciliations

Treasurer Ellsworth stated that he had reviewed and approved the journal entries and bank reconciliations for the month of November.

Treasurer's Report – November 2014

Treasurer Ellsworth stated that he had provided the Committee with a written summary of the November's Treasurer's Report. He noted on page 1 of the report that cash and investments totaled \$85.4M. Cash and Investments are up by \$15.4M year-to-date.

Treasurer Ellsworth discussed the detailed investment schedules, individual account balances and market yield. Market yield on the portfolio was at 61 basis points, down slightly from the prior month.

Treasurer Ellsworth noted that on the Statement of Cash Flows shows the breakdown of the \$15.4M increase year-to-date. He stated that all targeted reserve levels were met or exceeded targets. At November 30, 2014, there was \$17.8M of debt outstanding down by \$1.2M from last month.

Financial Statements – November 2014

Financial Administrator Peterson provided the Committee with a summary of the November Financial Statements. She noted that seven months into the current fiscal year, revenues are exceeding expenses slightly ahead of budgeted seasonal expectations, even as water sales are below budget by approximately 4%. An offset is water purchases are approximately 5% below budgeted seasonal expectations. She noted that there was a correction to the financial report. In the second bullet point the water sales to customers should have been 43.9M gallons not 25.3M gallons.

Sales Tax collections were higher than prior year revenue amounts by approximately 1.1% in November. Cumulatively Sales Tax collections as of November 30, 2014, were approximately 3.9% over the prior year.

Financial Administrator Peterson discussed balances and activity within the cash and investment accounts compared to targets and liabilities.

Financial Administrator Peterson noted that cash balances were up compared to prior year by nearly \$14M. Receivables were flat versus prior year due to lower water sales and timing of collections, partially offset by higher water costs. Debt has declined by \$34M compared to prior year balances at November 30th.

Financial Administrator Peterson noted that there was no unusual activity or significant variances to discuss in the revenue and expense accounts.

The Committee then discussed the rate increase coming up in January 2015 for both the City of Chicago and the Commission. It was then discussed as to when the City of Chicago is expecting its next increase after January 2015.

General Manager Spatz stated that information was given to the Commission earlier that day that the Senate did not pass a bill extending the Terrorist Risk Insurance Act that week and then adjourned for the holiday break. This act expires at the end of December 2015; therefore, the Commission and all others covered by this act will be without this type of

insurance until the Senate meets again and the Act gets passed. The Commission did look into whether other options were available, but were told the options would be expensive and most likely only needed short-term. Therefore, the Commission like everyone else in the country covered by this act will be without this insurance coverage until the act is once again extended.

Terry McGhee left the meeting at 6:17 P.M. Chairman Zay and General Manager Spatz left the meeting at 6:18 P.M.

Investment Review

Jeff Schroeder from PFM gave a Committee a brief overview of the markets current economic conditions. He discussed that the Commission had no exposure to IMET or repurchase agreements such as those that IMET had invested in. Chairman Suess asked if the securities the Commission had were all collateralized. Mr. Schroeder stated yes. He also updated the Committee on the Commissions current portfolio position and reported the Commission was currently earning approximately 65 basis points on it investments, compared to the Illinois Fund return of approximately 1or 2 basis points.

Accounts Payable

Financial Administrator Peterson presented the Accounts Payable to the committee members. The numbers below were to be presented in the General Meeting.

November 12, 2014 to December 9, 2014	\$6,701,125.17
<u>Estimated</u>	<u>\$ 772,550.00</u>
Total	\$7,473,675.17

Other

Chairman Suess and the other committee members thanked Commissioner Janc for all of his hard work over the years and wished him the best in his other endeavors.

Adjournment

Commissioner Russo moved to adjourn the meeting at 6:32 P.M. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

All voted aye. Motion carried.