

**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DUPAGE WATER COMMISSION  
HELD ON THURSDAY, MARCH 17, 2016  
600 EAST BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

The meeting was called to order at 5:45 P.M.

Committee members in attendance: P. Suess, R. Gans, J. Pruyn (arrived at 5:51 P.M.), D. Russo, and J. Zay

Committee members absent: None

Non-Committee members in attendance: M. Scheck (arrived at 5:46 P.M.)

Also in attendance: Treasurer W. Fates, J. Spatz, C. Peterson, and J. Schroeder and D. Nelson of PFM Asset Management

**Minutes**

Commissioner Gans moved to approve the Minutes of the Regular Committee Meeting of February 18, 2016 of the Finance Committee. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

**Approval of Reconciliations**

Treasurer Fates stated that he had reviewed and approved the journal entries and bank reconciliations for the month of February 2016.

**Request for Board Action**

General Manager Spatz explained the request was to move funds from the General Account to the Operating Reserve Account and Long-Term Water Capital Account. The transfer of \$2.1M to the Long-Term Water Capital Account would increase the fund to its Fiscal Year 2016-2017 targeted balance. The transfer of \$10M to the Operating Reserve would first allow the monies to be invested at longer terms for higher yields. In addition, should the Commission seek to have a public rating again, the Commission could improve the possibility of receiving a higher rated investment grade based upon researched rating agency standards with the increase in days of cash on hand to approximately 160 days. The Commission has been funding the Operating Reserve at approximately 135 days of coverage in recent months.

Commissioner Russo moved recommend to the Board the Request for Board Action: Authorizing the Transfer of Funds from the General Account to the Operating Reserve and Long Term Water Capital Reserve Accounts (Approximately \$12.1M). Seconded by Commissioner Gans and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

### **Draft Annual Management Budget**

General Manager Spatz noted that he did have a follow up discussion with one Commissioner and that he received a couple of questions from customers. The customers were all sent the draft budget prior to the March 1<sup>st</sup> deadline. A discussion regarding the loss of sales tax, the projected decline in reserve growth and the Commission's ability to cover increased costs on water rates or incur debt then occurred. Commissioner Gans then asked a few questions regarding investment income and a couple of the expense lines. General Manager Spatz noted that the Commission's budget is based upon conservative estimates allowing for flexibility based upon current expectations and past experiences.

### **Draft Annual Appropriation Budget**

General Manager Spatz stated that the Commission would be bringing the 2016-2017 Appropriation Budget to the Board in April 2016. In connection, the Commission asked the Committee's permission to notify customers that the Appropriation Budget is available for viewing prior to 30 days before the April 21, 2016 meeting. General Manager Spatz described how the same percentages used last year in determining the Appropriation Budget compared to the Management Budget were used this year. Consensus by the Committee was given for publication of the notice.

Commissioner Scheck left the meeting at 5:55 P.M.

### **Other**

General Manager Spatz discussed asked that the Committee approve the acceleration of the last payment of the 2013 Revenue Bonds from May 2016 to April 2016. The objective would be for the Commission to be debt free upon the passing of the budget at the April 2016 Board meeting. The Finance Committee approved making the last payment in April 2016.

General Manager Spatz left the meeting at 5:59 P.M.

### **Treasurer's Report – February 2016**

Treasurer Fates reviewed the written summary of the February Treasurer's Report. Cash and Investments were \$130.3M. He described by account the Commission's cash and investments increase of \$30.7M over the past ten months.

Market yield on the portfolio was at 96 basis points, a slight increase from the prior month. The portfolio was showing unrealized gains of \$474,707 compared to unrealized gains at the prior year end of approximately \$215,000.

Treasurer Fates detailed the \$30.7M increase year-to-date on the Statement of Cash Flows. He stated that all targeted reserve levels were met or exceeded targets. He concluded noting that there was \$2.7M of debt outstanding at February 29, 2016.

A discussion started regarding the level to which the Commission's pension is funded. The Treasurer had noted that the Commission contributed \$1.3M to its pension earlier in the year to fully fund it based upon December 31, 2014 levels. Financial Administrator Peterson noted the Commission had not yet received the December 31, 2015 levels from the Illinois Municipal Retirement Fund. The Committee discussed possible actions to take to maintain its fully funded status if needed.

### **Financial Statements – February 2016**

Financial Administrator Peterson provided the Committee with a summary of the February Financial Statements. She noted that through the first ten months of the fiscal year, revenues exceeded expenses ahead of budgeted seasonal expectations. Although water sales were just slightly below budget by 0.4% through February, an offset was water purchases, which were approximately 1.7% below budgeted seasonal expectations year-to-date.

Sales Tax collections were below prior year revenue amounts by approximately 0.3% in February. Cumulatively Sales Tax collections as of February 29, 2016, were approximately \$947,000 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 approximately \$10M. Receivables were lower compared to prior year due to timing of receivables. Debt has declined by nearly \$12M compared to prior year balances at February 29, 2016. She also noted that one account was expected to exceed the management budget in March and two that may go over budget in April. Account 60-611700, Operations Overtime, will likely over budget for the year in March. In April, account 60-623300, Trust Services and Bank Charges, is expected to go over budget due to higher fees relating to higher than anticipated balances in the reserve accounts. Also account 60-653200, Postage and Delivery, due to accelerated postage machine expenses.

Chairman Zay left the meeting at 6:10 P.M.

### **Investment Review**

Jeff Schroeder from PFM gave the Committee a brief overview of the markets current economic conditions and projected interest rate activity. Mr. Schroeder then reviewed the activity in the Commission's investments including rate of returns, investment types and durations. Further discussions were had regarding commercial paper and prime funds trends, as well as duration management.

**Accounts Payable**

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

February 10, 2016 to March 8, 2016	\$7,490,170.17
<u>Estimated</u>	<u>\$748,800.00</u>
Total	\$8,238,970.17

**Adjournment**

Commissioner Russo moved to adjourn the meeting at 6:30 P.M. Seconded by Commissioner Gans and unanimously approved by a Voice Vote.

All voted aye. Motion carried.