

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, OCTOBER 14, 2010
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 6:30 P.M.

Commissioners in attendance: T. Elliott, R. Furstenau, J. Loper, W. Mueller, W. Murphy, P. Suess, J. Zay, and L. Rathje

Commissioners Absent: T. Bennington, L. Hartwig, W. Maio, F. Saverino, and D. Zeilenga

Also in attendance: T. McGhee, R. Skiba, M. Crowley, C. Johnson, R. C. Bostick, J. Schori, J. Nesbitt, F. Frelka, and E. Kazmierczak

RECOMMENDATIONS FROM AD HOC COMMITTEE

Commissioner Murphy reported that there was nothing new to discuss.

FINANCE REPORT

Former Financial Administrator Skiba reported that:

- During September, \$1.3 million of debt certificate proceeds were used to fund on-going construction projects, one check for \$0.8 million which was issued in July against debt certificate proceeds was voided due to lack of required documentation from the contractor, and water purchased from Chicago was paid from operating revenues with no adverse effect on bond required reserves.
- Water sales to Commission customers for September were 88.8 million gallons (3.4%) less than September 2009 and, through the first five months of the fiscal year, water sales were 155.1 million gallons (1.2%) less than the same period last fiscal year.
- September sales tax collections (June sales) were \$184,000 (7.3%) more than the same period last fiscal year, with the \$12.3 million year-to-date sales tax collections \$658,100 (5.6%) more than last fiscal year.
- The Operations and Maintenance Account was fully funded as of September 30, 2010, the Operations and Maintenance Reserve Account and the Depreciation Account were over funded, and an additional \$1.3 million was transferred to the General Account of the Water Fund for a balance of nearly \$6.3 million.
- The remaining construction obligations for uncompleted work at September 30, 2010 were \$6.4 million.

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In referring to Report B of the Treasurer's Report and, specifically, Line A, Commissioner Elliott asked for clarification as to why the operating cash contingency was \$11MM on Report B but only \$6MM on page 3 of the Financial Report. Former Financial Administrator Skiba explained that page 3 of the Financial Report does not show all of the Commission's cash and only reflects net assets (cash minus unpaid bills) available against both revenue bond requirements and Commission policy. Former Financial Administrator Skiba added that, as a result, \$5MM of sales tax unrestricted net assets is not reported on page 3 of the Financial Report but is included in Line A on Report B of the Treasurer's Report.

Commissioner Elliott then referred to Line D on Report B of the Treasurer's Report and asked why the Operations & Maintenance Account reflects \$14.0MM, but on page 3 of the Financial Report it shows \$6.3MM. Former Financial Administrator Skiba re-iterated that page 3 of the Financial Report just reflects net assets (cash minus unpaid bills) available against both revenue bond requirements and Commission policy and not all of the Commission's cash. Former Financial Administrator Skiba added that the O&M Account requirement varies from month to month but the cash balance must equal 1/12 of the annual operating budget (\$6,285,301 in FY 2010-2011) plus an amount equal to the unpaid bills at the end of any month.

Commissioner Furstenau asked for the current billing rate from the City of Chicago and the current billing rate charged to the customers. Former Financial Administrator Skiba stated that the Commission's total water rate is \$2.08/per 1,000 gallons and the cost from the City of Chicago is \$2.01/per 1,000 gallons. Former Financial Administrator Skiba added that of the \$2.08/per 1,000 gallons that the Commission charges, \$1.84 is billed to customers as Operation & Maintenance charges and \$0.24 is billed as fixed costs (debt service on the outstanding revenue bonds). In response, Commissioner Furstenau stated that the water rate was too low and needed to be increased long before the elimination of the Commission's sales tax authority in 2016.

Commissioner Murphy reminded the Commissioners that at the September 2010 Commission meeting, Treasurer/Commissioner Zeilenga presented a 15-year financial forecasting model which outlined several options for the Commission to consider, including gradual water rate increases to better prepare for the 2016 sales tax elimination.

Water Conservation Program

Commissioner Elliott inquired as to how many customers had responded to staff concerning their compliance with the thirteen water management steps outlined in the 2050 Northeastern Illinois Regional Water Supply/Demand Plan and recommended by the Chicago Metropolitan Agency for Planning. Acting General Manager McGhee noted that 20 surveys had been received and another seven were in process. Acting General Manager McGhee added that once all of the surveys had been received, the responses would be tallied and provided to the Board in summary form. Commissioners Elliott and Loper requested full copies of each customer's response.

Ordinance No. O-12-10

Former Financial Administrator Skiba explained that Ordinance No. O-12-10 would authorize transfers of appropriations between various line items within the Water Fund to correct certain budgeting errors. Former Financial Administrator Skiba went on to highlight the \$2,200,000 increase for the Chicago Pumping Station construction and the offsetting \$2,000,000 decrease for the DuPage Pumping Station construction, both of which stemmed from assumptions made as to the percent each project would be complete as of April 30, 2010, and the rate of progress and projected completion of each project in FY2011. Commissioner Zay requested that, in the future, contractor names and project descriptions be used instead of account or contract numbers.

FY 2009-2010 Audit

Former Financial Administrator Skiba introduced Louis Karrison from Sikich LLP and asked Mr. Karrison to provide a status report regarding the completion of the FY2009 and FY2010 Audits. Mr. Karrison reported that the FY2009 Audit was taking a little bit longer than normal because, as the first audit by the new firm, the firm needed to become familiar with the Commission's files, transactional history, and internal procedures. Mr. Karrison added that the Audit Report for FY2009 is approximately half completed and that once the Audit Report for FY2009 had been completed, the auditors would then begin to work on the FY2010 Audit with a tentative completion date in January/February of 2011.

Commissioner Suess asked Mr. Karrison to explain Sikich's procedures as to how cash is verified. Mr. Karrison stated that all account balances are confirmed and then tied into the Commission's general ledger records and balanced.

ENGINEERING

As part of the engineering report, Acting General Manager McGhee gave a brief description of all resolutions and purchase orders listed on the Board Agenda.

Acting General Manager McGhee explained that Resolution No. R-41-10 would accept, at a cost not-to-exceed \$1,500.00, the proposal of Timothy W. Sharpe to provide actuarial valuations and disclosures in order for the Commission to comply with two GASB pronouncements dealing with postretirement healthcare plans.

With respect to Resolution No. R-42-10, Acting General Manager McGhee explained that it would release certain Executive Session Meeting Minutes that no longer require confidential treatment as noted in Schedule B.

Acting General Manager McGhee explained that Resolution No. R-43-10 would approve a master contract with Camp Dresser & McKee, Inc. and also Task Order No. 1 under the master contract, at a cost not-to-exceed \$20,000/per assignment, for indeterminate engineering assistance in connection with ongoing projects such as medium and low

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voltage electrical systems, pumping operations, water treatment techniques, and other tasks.

Commissioner Furstenau questioned how many total master contracts the Commission currently had in place. Acting General Manager McGhee responded that there were approximately seven firms currently working under a master contract with the Commission and that every task order under each of the master contracts was submitted to the Board approval.

Commissioner Zay disagreed with having open-ended master contracts, complaining that the same firms receive Commission work year after year and that limitations should be put into place to allow other companies to have the chance to bid on Commission projects. Commissioner Furstenau agreed with Commissioner Zay's comments.

After Acting General Manager McGhee explained that Resolution No. R-44-10 would approve, at a cost of \$810,000, a valve actuator change under Contract MS-17/10 (Winfield Metering Station 27B), Acting General Manager McGhee then explained that Resolution No. R-45-10 would approve a change order to extend the completion date for Contract PSC-5/08 (Photovoltaic System at the Lexington Pumping Station) due to delays in securing a building permit for Contract PSC-4/08 and Resolution No. R-46-10 would approve a credit under Contract PSC-4/08 (Electrical Generation Facilities, Photovoltaic System, and Other Improvements at the Lexington Pumping Station) due to a decrease in labor hours originally anticipated and authorized under a prior Change Order.

Commissioner Zay expressed concerns with the Commission exceeding the \$15MM cap on its share of the cost of the Lexington Pump Station improvements established in an Intergovernmental Agreement with the City of Chicago.

Commissioner Furstenau questioned whether the City had reached, or was close to reaching, their \$15MM cap on costs. Staff Attorney Crowley advised that because of the various sublimits or exceptions to the equal sharing of costs under the intergovernmental agreement, it was difficult to say, without additional analysis, whether the City had reached its \$15MM cap. For example, Staff Attorney Crowley noted that the most the City would be obligated to contribute toward the Lexington generators was \$8.5 Million but that the City would be responsible for 100% of the cost of the Solar Photovoltaic System in excess \$8 Million.

To better understand the cost sharing obligations of each party, Commissioner Furstenau requested that staff prepare a synopsis of the agreement with the Chicago, including the various cost limitations contained within the agreement, and where each party stood in terms of costs incurred to date.

Acting General Manager McGhee then went on to explain that Resolution No. R-47-10 would approve various changes to Contract PSD-7/08 (Electric Generation Facility and Office/Garage Expansion for the DuPage Pumping Station), at a net increase of

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\$23,284.00, for the elimination of a portion of the plumbing drain modification work associated with an existing backflow prevention device (-\$751.00), the installation of digital/addressable fire alarm system devices in existing pump station facilities (\$17,710.00), the installation of additional electric conduit in duct bank and hand holes for the security system extension (\$6,072.00), and the installation of a new exterior light fixture over the entrance to the covered parking structure (\$253.00).

Lastly, with respect to Purchase Order No. 12419 to Acres Group, Acting General Manager McGhee explained that the \$4,290.00 cost was for landscaping material needed to repair parts of the reservoir damaged during rainstorms.

Contaminated Well Water Loan – Downers Grove

With regard to the correspondence received from the Village of Downers Grove relating to the contaminated well water loan, Commissioner Murphy asked what the Commission's past practice had been. Acting General Manager McGhee stated that three communities took part in the contaminated well water loan program—the Village of Carol Stream, the Village of Downers Grove, and the Village of Woodridge. Acting General Manager McGhee added that while Former Financial Administrator Richter was not very diligent in submitting invoices to those communities on a timely basis in the past, the Villages of Carol Stream and Woodridge had kept up with their payments and were current. Acting General Manager McGhee noted that staff had twice attempted to collect the past due payment from the Village of Downers Grove but had been unsuccessful. Acting General Manager McGhee lastly noted that it was his understanding that David Fieldman, the Downers Grove Village Manager, had been planning to attend the meeting in order to address the Board with a request to amend the loan agreement.

Commissioner Furstenau expressed his concerns, noting that the Commission is not a bank and that the Village of Downers Grove needs to make their payment.

Commissioner Zay explained that the reason for the special extension request made by the Village of Downers Grove was due to an ongoing evaluation being performed by the Environmental Protection Agency which will determine which businesses contributed to the water contamination along with their percentage of liability.

Commissioner Elliott expressed his frustration with the apparent presumption that the Commission should bear the risk of non-payment rather than the Village, especially in light of the earlier comments questioning the Commission's subsidized water rates and whether the City of Chicago was paying its fair share of the Lexington Pump Station improvement project. Commissioner Elliott also echoed Commissioner Furstenau's comments that the Commission is not a bank and that the Village of Downers Grove made a commitment and needed to honor that commitment and make their loan payments accordingly.

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After Commissioner Loper confirmed with Staff Attorney Crowley that all three Contaminated Well Water Loan agreements were substantially the same and that the discounted payoff initially offered by the Village was in the amount of \$3.2 Million, Commissioner Elliott noted that he would like to learn more about the issue and requested that staff provide more detail concerning the loan program and the loan that was made to the Village of Downers Grove under the program, as well as historical background regarding the development of the program and the loan to the Village.

Commissioner Mueller commented that the situation with the Environmental Protection Agency is between the EPA and the Village of Downers Grove and, as such, the Commission needs to recover the money it is owed.

After Commissioner Zay suggested having a representative from the Village of Downers Grove attend the November meeting for a full explanation, Commissioner Zay moved to adjourn the meeting at 7:25 P.M. Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.