

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, NOVEMBER 11, 2010
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 6:35 P.M.

Commissioners in attendance: T. Elliott (arrived at 6:37 P.M.), R. Furstenau, L. Hartwig, J. Loper, W. Maio (6:40 p.m.), W. Murphy, F. Saverino, P. Suess (arrived at 6:38 P.M.), J. Zay (arrived at 7:05 P.M.), D. Zeilenga, and L. Rathje

Commissioners Absent: T. Bennington and W. Mueller

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

APPROVAL OF MINUTES

Commissioner Saverino moved to approve the Minutes of the October 14, 2010 Special Committee of the Whole Meeting of the DuPage Water Commission. Seconded by Commissioner Loper and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

RECOMMENDATIONS FROM AD HOC COMMITTEE

Commissioner Murphy reminded the Committee that during the 2010 Auditor selection process, the Commission had informally obtained estimated costs of outsourcing the Commission's financial functions and that staff had been directed, at the October meeting, to formally solicit outsourcing proposals from reputable accounting firms. Of the seven proposals solicited, Commissioner Murphy reported that four proposals had been received, copies of which had been provided to Chairman Rathje, Commissioner/Treasurer Zeilenga, Finance Committee Chairman Zay, and Commissioner Murphy for review. Based solely on qualifications, Commissioner Murphy stated that staff had reviewed the proposals received, and felt that there was one firm that was uniquely qualified to provide the services and would best fit the Commission's needs.

During Commissioner Murphy's opening remarks, Commissioner Elliott arrived at 6:37 P.M. and Commissioner Suess arrived at 6:38 P.M.

Commissioner Furstenau asked what the cost differential was between the four proposals received. Acting General Manager McGhee responded that staff believed the decision should be based upon qualifications rather than costs and, as such, staff had not opened the separately sealed fee proposals. After discussing the merits of opening the fee proposals, it was the consensus of the Committee to have the entire Board review the four sealed fee proposals for full consideration and recommendation at the December Board meeting.

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Commissioner Maio arrived at 6:40 P.M.

FINANCE REPORT

Former Financial Administrator Skiba reported that:

- During September, \$1.0 million of debt certificate proceeds were used to fund on-going construction projects and water purchased from Chicago was paid from operating revenues with no adverse effect on bond required reserves.
- Water sales to Commission customers for October were 239.6 million gallons (11.1%) more than October 2009 and, through the first six months of the fiscal year, water sales were 84.5 million gallons (0.5%) more than the same period last fiscal year.
- October sales tax collections (July sales) were \$121,965 (5.0%) more than the same period last fiscal year, with the \$14.9 million year-to-date sales tax collections \$780,111 (5.5%) more than last fiscal year.
- The Operations and Maintenance Account was fully funded as of October 30, 2010, the Operations and Maintenance Reserve Account and the Depreciation Account were over funded, and an additional \$2.8 million was transferred to the General Account of the Water Fund for a balance of \$9.0 million.
- The remaining construction obligations for uncompleted work at October 30, 2010 were \$5.4 million.

Budget Review

Former Financial Administrator Skiba advised that Section 10.23 of the Revenue Bond Ordinance requires a quarterly budget review by the Commission, with variances between 15% favorable and 5% unfavorable to be addressed with rate and/or budget adjustments. At which point, Former Financial Administrator Skiba highlighted one error in his memorandum on the noted variances. With regard to Special Legal Services (6253), Former Financial Administrator Skiba noted that the extra costs were due to the Jenner & Block Forensic Audit Investigation follow-up and not for labor negotiations as stated in his memorandum.

FY 2009-2010 Audit

Former Financial Administrator Skiba reported that the draft Audit Report for the Fiscal Year ending April 30, 2009 had been completed and is on the Agenda for approval, noting that Louis Karrison of Sikich LLP was in attendance to answer any questions.

Mr. Karrison commented that the audit had taken longer than normal because, in addition to it being the first audit by the new firm, approximately 60 adjustments had to

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be made from the previous auditors work. Mr. Karrison assured the Committee, however, that the financial statements were now in order with a clean audit opinion.

With no further discussion on the FY 2009-2010 Audit Report, Former Financial Administrator Skiba then referred to draft Ordinance No. O-RHS-10, explaining that it was his recommendation that the Commission amend the annual budget and appropriation to appropriate an additional \$5,572,250 of the estimated \$36 million May 1, 2010 unappropriated Commission funds in order to assist in the continuation of operations during the January 1, 2011 Commission transition by assuring that no line item actual expenditure through September 30, 2010 exceeded 50% of the amended appropriation and by appropriating an additional \$3 million against possible emergency pipeline expenses, in addition to correcting certain budgeting errors relating to the bond issue costs and the 1% interest rate increase on the \$30MM debt certificate. Former Financial Administrator Skiba noted that notification of a Public Hearing on the proposed amendments to the annual budget and appropriation ordinance had been published to enable the Board to approve the Ordinance at the December meeting if it so desired.

Commissioner/Treasurer Zeilenga commented that even though he understood the reasons Former Financial Administrator Skiba was recommending that the annual budget and appropriation be amended, Commissioner Zeilenga disagreed with changing the Board-established policy that each item should be brought to the Board for individual consideration and approval.

Commissioner Elliott requested a written explanation of the amended appropriation being proposed for the Lexington Pumping Station construction.

ENGINEERING

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

Acting General Manager McGhee explained that Resolution No. R-48-10 would award two Quick Response Electrical Contracts to McWilliams Electric Co. Inc. and to Meade Electric Company, Inc.

With respect to Resolution No. R-49-10, Acting General Manager McGhee explained that Resolution No. R-49-10 would amend the Commission's Flexible Benefits Plan to exclude from eligibility over the counter drugs and medicines (except insulin) as mandated by the recently enacted federal health care reform legislation.

Acting General Manager McGhee explained that Resolution No. R-50-10 would formally acknowledge and document the succession and designation of PNC, NA as the authorized custodian of Commission investments and collateral pledged to the Commission.

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With respect to Resolution No. R-51-10, Acting General Manager McGhee explained that Resolution No. R-51-10 would authorize staff, subject to a maximum total expenditure of \$18,000.00 in FY 10/11, to retain the services of SPI Energy Group for Illinois electric market consulting services in connection with the extension of the Commission's existing electrical supply agreement and on an as needed basis for other electrical supply needs.

Acting General Manager McGhee explained that Resolution No. R-52-10 would approve Change Order No. 12 to Contract PSD-7/08 (Electric Generation Facility and Office/Garage Expansion for the DuPage Pumping Station) to authorize, at a net increase in the Contract Price of \$1,185.00, the following changes to the Contract: 1) Addition of electric conduit and circuitry to place driveway and parking lot lights into the new lighting control system (\$1,185.00); and 2) Addition of cord plugs and receptacles for the portable generator control and low voltage wiring systems (\$0.00).

Acting General Manager McGhee then referred to a request made by William Brothers Construction Inc to reduce the retention under Contract PSD-7/08 from 10% of the Contract Price to 5% of the Contract Price due to the nearness of project completion and to allow close out of several subcontracts whose work has been completed.

With regard to the Commission's Workers Compensation Insurance Renewal, Acting General Manager McGhee stated that three quotations had been received from various carriers and that of the three quotations received, the quotation of Illinois Public Risk Fund, for a premium of \$81,586, was the most favorable to the interests of the Commission.

Lastly, Acting General Manager McGhee explained Purchase Order No. 12472 to Packey Webb Ford, in the amount of \$62,635.00 for the purchase of a 2011 Ford F350 SRW service truck and Purchase Order No. 12473 to Freeway Ford, in the amount of \$58,749.00, for the purchase of a 2011 Ford F350 DRW service truck, stating that both trucks would replace existing vehicles with extensive maintenance issues in accordance with the Commission's Vehicle Replacement Program.

Commissioner Zay arrived at 7:05 P.M.

Acting General Manager McGhee advised that the Commission had been receiving inquiries from various towns, outside the DuPage County area, regarding back-up emergency interconnections and asked for direction on whether to proceed. After many Commissioners commented that they would need a more comprehensive analysis of the issues that needed to be evaluated and the policy decisions that needed to be made before moving forward with any decision on whether to provide water outside of the Commission's territorial limits, as previously requested of former General Manager Martin, it was the consensus of the Commissioners to defer the discussion until the new Board was in place.

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Commissioner Maio moved to adjourn the meeting at 7:20 P.M. Seconded by
Commissioner Loper and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

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