

**MINUTES OF A SPECIAL MEETING OF THE
DuPAGE WATER COMMISSION
HELD ON WEDNESDAY, JULY 14, 2010
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 7:14 P.M.

Commissioners in attendance: T. Bennington, T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Commissioners Absent: L. Hartwig, W. Maio, and W. Mueller

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

PUBLIC HEARING

Commissioner Mathews moved to open the continued Public Hearing regarding the Annual Budget and Appropriation Ordinance of the Fiscal Year Commencing May 1, 2010 and Ending April 30, 2011. Seconded by Commissioner Furstenau.

Former Financial Administrator Skiba presented the following two versions regarding the FY2010-11 Appropriation Ordinance No. O-10-10 for consideration; each version included a \$3 million contingency.

- Version A presents the Appropriation Ordinance as directed by the Board at the June Commission meeting. Most items have been appropriated as per the Management Budget which included certain exceptions.
- Version B contains amended amounts for various accounts due to changes that have occurred since the Management Budget was adopted in April. Some of the changes, Former Financial Administrator Skiba noted, were already known to the Board whereas other changes reflect that certain actions have a different timing from the time the Management Budget was adopted.

Commissioner Furstenau asked for an explanation of costs relating to the Commission's Illinois Municipal Retirement Fund (IMRF) pension. Former Financial Administrator Skiba explained that the Commission is only obligated to fund approximately \$305,000 of its total pension liability in the next fiscal year, but if the Commission were to fund all, or a portion of, the allowable unfunded \$1.1MM pension liability, on or before January 1, 2011, the Commission would also receive a credit in the amount of 7.5% of the excess amount so funded.

After several Commissioners expressed their concerns regarding the large amount of funding relating to the IMRF Pension, Treasurer/Commissioner Zeilenga asked Former Financial Administrator Skiba to prepare, for the August meeting, a more detailed explanation for the Board to review.

Minutes of the 7/14/10 Meeting

Commissioner Elliott moved to close the Public Hearing regarding the Annual Budget and Appropriation Ordinance of the Fiscal Year Commencing May 1, 2010 and Ending April 30, 2011. Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

PUBLIC COMMENTS

None

APPROVAL OF MINUTES

Commissioner Bennington moved to approve the Minutes of the June 10, 2010 Regular Meeting of the DuPage Water Commission. Seconded by Commissioner Elliott and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Commissioner Furstenau moved to approve the Minutes of the June 10, 2010 First Executive Session Meeting of the DuPage Water Commission. Seconded by Commissioner Saverino and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Commissioner Elliott moved to approve the Minutes of the June 10, 2010 Second Executive Session Meeting of the DuPage Water Commission. Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

TREASURER'S REPORT

Treasurer/Commissioner Zeilenga reported on the June 2010 Treasurer's Report, which consisted of three pages designated Reports A, B, and C. With respect to Report A, Treasurer/Commissioner Zeilenga noted that while the cash flow was negative for the month of June, it reflected receipts mostly for the month of April which was billed at the previous lower water rate and that the Commission should start seeing improvements in the July report when the May invoices are paid reflecting the new increased water rate. In the future, Treasurer/Commissioner Zeilenga added that Report A will include additional information such as customer accounts receivable, accrued water revenue, and water purchase figures.

With respect to Report B, Treasurer/Commissioner Zeilenga explained that Report B shows that there is \$9.4MM more than the \$20MM operating contingency, but that there is still \$13.8MM of construction still needed to be funded which means that the Commission is still in need of \$4.4MM.

Minutes of the 7/14/10 Meeting

With respect to Report C, Treasurer/Commissioner Zeilenga noted that this report is the cash basis of the monthly income and expense statement and that the results tie into the total of cash and investments held by the Commission at June 30th.

Commissioner Zay moved to accept the May and June 2010 Treasurer's Report. Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

COMMITTEE REPORTS

Administration Committee

Meeting Canceled

Engineering & Construction Committee

Meeting Canceled

Finance Committee

Meeting Canceled

CHAIRMAN'S REPORT

Chairman Rathje reported that he has confirmed the appointment of William Mueller as Vice Chairman of the Board of Commissioners; to keep the Administration and Engineering Committee Chairs the same; to appoint James Zay as the Finance Chair; and to appoint all Board members to serve on the Finance Committee. Chairman Rathje noted, however, that the Committee of the Whole meeting will continue until further notice.

Commissioner Murphy moved to confirm Chairman Rathje's appointment of William Mueller to serve as Vice-Chairman of the Board of Commissioners for a term expiring April 30, 2012, or until his successor is duly appointed and confirmed; to confirm Chairman Rathje's appointments of all Commissioners to serve as a whole on the Finance Committee; to confirm Chairman Rathje's appointment of William Murphy as Administration Chair, William Maio as Engineering Chair, and James Zay as Finance Chair. Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

MAJORITY OMNIBUS VOTE AGENDA

Commissioner Bennington requested that Resolution No. R-32-10 be removed from the Majority Omnibus Vote Agenda for separate consideration.

Minutes of the 7/14/10 Meeting

Commissioner Zay moved to approve Ordinance No. O-10-10: Annual Budget and Appropriation Ordinance for the Fiscal Year Commencing May 1, 2010 and Ending April 30, 2011 (Version A). Seconded by Commissioner Murphy and unanimously approved by a Roll Call Vote:

Ayes: T. Bennington, T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: None

Absent: L. Hartwig, W. Maio, and W. Mueller

Commissioner Furstenau moved to approve Resolution No. R-32-10: A Resolution Awarding a Contract for Window Cleaning Services. Seconded by Commissioner Elliott.

After Commissioner Bennington expressed concerns with contracting for window cleaning services when the pumping station is currently under construction noting that it makes more sense to wait until construction is complete, the motion was approved by a Roll Call Vote.

Ayes: T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: T. Bennington

Absent: L. Hartwig, W. Maio, and W. Mueller

SUPER/SPECIAL MAJORITY OMNIBUS VOTE AGENDA

Commissioner Bennington moved to adopt the items listed on the Super/Special Majority Omnibus Vote Agenda in a single group pursuant to the Omnibus Vote Procedures. Seconded by Commissioner Murphy and unanimously approved by a Roll Call Vote.

Super/Special Majority Omnibus Vote

Ayes: T. Bennington, T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: None

Absent: L. Hartwig, W. Maio, and W. Mueller

Item 1: Resolution No. R-29-10: A Resolution Approving and Ratifying Certain Work Authorization Orders Under Quick Response Electrical Contract QRE-4/08 at the July 14, 2010, DuPage Water Commission Meeting—“Super/Special Majority Omnibus Vote”

Minutes of the 7/14/10 Meeting

- Item 2: Resolution No. R-30-10: A Resolution Approving and Ratifying Certain Contract PSD-7/08 Change Orders at the July 14, 2010, DuPage Water Commission Meeting—"Super/Special Majority Omnibus Vote"
- Item 3: Resolution No. R-31-10: A Resolution Approving and Ratifying Certain Contract MS-18/09 Change Orders at the July 14, 2010, DuPage Water Commission Meeting—"Super/Special Majority Omnibus Vote"

OLD BUSINESS

Recommendations From Ad Hoc Committee

No further discussion.

Resolution No. R-20-10

Treasurer/Commissioner Zeilenga referred back to Report B of the Treasurer's Report, specifically, Line Item A pointing out that the reserves were established based on three months (\$20MM) of operating costs. Treasurer/Commissioner Zeilenga then noted that the reserves established by the revenue bond ordinance are to be used for dire emergencies only, but now that the finances are back on track, it is recommended that a target fund balance of \$7MM (one month operating costs) would be sufficient.

Commissioner Bennington stated that it is not uncommon for a government agency to have a fund balance equal to three month's reserve as it does not hurt to have a little extra in savings for emergency purposes.

Commissioner Zay agreed with Commissioner Zeilenga's recommendation of a \$7MM reserve fund balance and noted that the Board now needs to be focusing on developing a long term payment plan involving both the outstanding short term loans.

Commissioner Mathews disagreed with a lower reserve account stating that if it wasn't for the \$20MM reserve account in the recent past, the Commission would have been in a much worse position during its financial shortfall.

Treasurer/Commissioner Zeilenga agreed with Commissioner Mathews in that the reserve account did help with the financial shortfall, but reminded the Board that the financial shortfall was due to poor management and inaccurate financial reports and since things have been restructured such a large reserve account is no longer necessary and it would allow the remaining funds to be used towards paying down some of the outstanding debt.

Commissioner Murphy moved to adopt Resolution No. R-20-10: A Resolution Establishing the Policy of DuPage Water Commission with Respect to a Target Fund Balance in the Water Fund for Emergency Repairs and Other Contingencies with a stated target fund balance of \$7,000,000. Seconded by Commissioner Zay.

Minutes of the 7/14/10 Meeting

Commissioners Furstenau and Elliott expressed their concerns with setting the reserve account too low and suggested a two month reserve account of \$13MM.

Commissioner Bennington expressed his concerns that by reducing the contingency reserve requirement it could possibly lead to the Commission using required bond fund reserves again.

Acting General Manager McGhee asked Former Financial Administrator Skiba to give a brief history of how the reserve accounts are established. Former Financial Administrator Skiba reported that when the Commission initially set up its reserve accounts the Commission recognized that the primary concern was with infrastructure; pipes and pumping facilities and as a result, the initial reserve was established based on 5% of original construction costs which resulted in an approximate \$20MM reserve and adjusted it annually and according to a construction cost inflation factor. This differs from most local government reserve formulas in that it was not based on monthly operating costs. Former Financial Administrator Skiba further reported that after several years of operations, the reserve was reduced to 2% which resulted in a reserve amount of approximately \$11MM.

Commissioner Mathews remembered that the Commission, at one point, had separate emergency reserve accounts for restricted and unrestricted funds. Former Financial Administrator Skiba agreed saying that in the past there were actually three separate reserve accounts; emergency, rate stabilization, and construction. The rate stabilization was eliminated and the emergency funds were spent down as part of the financial shortfall.

Treasurer/Commissioner Zeilenga reminded the Board that the Commission also has insurance coverage for emergencies that may arise. Commissioner Bennington continued to express his concerns with having a low reserve account noting that he was not convinced that was the best way to go and suggested an analysis be prepared.

Commissioner Murphy moved to call the question on the motion to approve Resolution No. R-20-10: A Resolution Establishing the Policy of DuPage Water Commission with Respect to a Target Fund Balance in the Water Fund for Emergency Repairs and Other Contingencies with a stated target fund balance of \$7,000,000. Seconded by Commissioner Mathews and failed by a Roll Call Vote for lack of an approving two-thirds majority:

Ayes: T. Elliott, W. Murphy, F. Saverino, J. Zay, and D. Zeilenga

Nays: T. Bennington, R. Furstenau, G. Mathews, and L. Rathje

Absent: L. Hartwig, W. Maio, and W. Mueller

At which point, there being no further discussion, the main motion to approve Resolution No. R-20-10: A Resolution Establishing the Policy of DuPage Water Commission with Respect to a Target Fund Balance in the Water Fund for Emergency Repairs and Other

Minutes of the 7/14/10 Meeting

Contingencies with a stated target fund balance of \$7,000,000 failed by a Roll Call Vote for lack of an approving majority:

Ayes: W. Murphy, F. Saverino, J. Zay, and D. Zeilenga

Nays: T. Bennington, T. Elliott, R. Furstenau, G. Mathews, and L. Rathje

Absent: L. Hartwig, W. Maio, and W. Mueller

Commissioner Furstenau moved to adopt Resolution No. R-20-10: A Resolution Establishing the Policy of DuPage Water Commission with Respect to a Target Fund Balance in the Water Fund for Emergency Repairs and Other Contingencies with a stated target fund balance of \$13,000,000. Seconded by Commissioner Zeilenga and approved by a Roll Call Vote.

Ayes: T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: T. Bennington

Absent: L. Hartwig, W. Maio, and W. Mueller

NEW BUSINESS

None

ACCOUNTS PAYABLE

Commissioner Murphy moved to approve the Accounts Payable in the amount of \$9,805,657.18, subject to submission of all contractually required documentation, for invoices that have been received. Seconded by Commissioner Zay and unanimously approved by a Roll Call Vote:

Ayes: T. Bennington, T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: None

Absent: L. Hartwig, W. Maio, and W. Mueller

Minutes of the 7/14/10 Meeting

In referring to the Accounts Payable, Commissioner Bennington questioned costs relating to the accounting services of Account Temps and RGP Diversified. Acting General Manager McGhee noted that the services of RGP Diversified are needed to assist Former Financial Administrator Skiba in the day-to-day financial functions and also for Human Resource and audit related work and also noted that RGP Diversified is billed at a lower hourly rate and will ultimately reduce the hours provided by Former Financial Administrator Skiba.

Commissioner Murphy moved to approve the Accounts Payable in the amount of \$835,567.78, subject to submission of all contractually required documentation, for invoices that have not yet been received but have been estimated. Seconded by Commissioner Zay and unanimously approved by a Roll Call Vote:

Ayes: T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: None

Abstain: T. Bennington

Absent: L. Hartwig, W. Maio, and W. Mueller

Before the Board went into Executive Session, Commissioner Bennington noted that he would not be participating in the discussion regarding the selection of the labor counsel in order to avoid a possible or perceived conflict of interest with his firm's involvement.

EXECUTIVE SESSION

Commissioner Murphy moved to go into Executive Session to discuss matters related to personnel pursuant to 5 ILCS 120/2(c)(1) and (2) and pending, probable, or imminent litigation pursuant to 5 ILCS 120/2(c)(11). Seconded by Commissioner Zay and unanimously approved by a Roll Call Vote:

Ayes: T. Bennington, T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: None

Absent: L. Hartwig, W. Maio, and W. Mueller

The Board went into Executive Session at 8:32 P.M.

Commissioner Bennington left the meeting at 8:40 P.M.

Commissioner Murphy moved to come out of Executive Session at 8:48 P.M. Seconded by Commissioner Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Minutes of the 7/14/10 Meeting

Commissioner Furstenau moved to retain the services of Laner Muchin Dombrow Becker Levin and Tominberg, Ltd. as Labor Counsel with a cap of \$50,000.00.
Seconded by Commissioner Zeilenga and unanimously approved by a Roll Call Vote:

Ayes: T. Elliott, R. Furstenau, G. Mathews, W. Murphy, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Nays: None

Absent: T. Bennington, L. Hartwig, W. Maio, and W. Mueller

Commissioner Murphy moved to adjourn the meeting at 8:50 P.M. Seconded by Commissioner Mathews and unanimously approved by a Voice Vote.

All voted aye. Motion carried.