

**MINUTES OF A MEETING OF THE
DuPAGE WATER COMMISSION
HELD ON THURSDAY NOVEMBER 17, 2011
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Zay at 7:32 P.M.

Commissioners in attendance: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Commissioners Absent: None

Also in attendance: N. Narducci, J. Spatz, M. Crowley, C. Johnson, T. McGhee, C. Bostick, J. Schori, M. Weed, E. Kazmierczak, F. Frelka, and S. Lux of Baker Tilly

CHARTER CUSTOMER RATE HEARING

Commissioner Murphy moved to open the Charter Customer Hearing on Ordinance No. O-15-11: An Ordinance Amending Ordinance No. O-5-11, being "An Ordinance Establishing A Rate for Operation and Maintenance Costs for the Fiscal Year Commencing May 1, 2011 and Ending April 30, 2012." Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Chairman Zay opened the floor for Charter Customer comments. There being none, Chairman Zay read the following prepared statement:

First of all I want to thank everyone for taking the time to join us tonight because the Commission believes today's decision is critical to setting the direction that the DuPage Water Commission and all of our systems will be taking in the future.

Before we take comments from our Charter Customers, we think it's important that we give you a brief background and timeline regarding what the Commission has done in conjunction with the Chicago's proposed water rates as well as the Commission's long term planning.

As most of you know, on October 12, 2011, Mayor Rahm Emanuel announced for the first time during Chicago's City Budget Address a proposed four-year water rate increase. Until this time, the Commission like most people did not know the extent of the increases the City would be proposing.

Upon hearing the City's proposal, the Commission immediately reacted. We began calling the City and Department of Water Management to establish a meeting and have the City provide a better understanding regarding the proposed water rates. We followed up on October 18, 2011 with a letter to Mayor Rahm Emanuel requesting a meeting regarding his proposed water rate increases, accountability of how the funds would be used, and how these additional revenues would directly benefit the City's water system and indirectly benefit the Commission's system.

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During this same time, the Commission immediately began preparing for long term plan by developing a water rate model that would incorporate the increases proposed by Chicago as well as address the Commission's needs.

On October 21, 2011, 9 days after Chicago's announcement, General Manager John Spatz sent out an invitation to all Commission customers inviting them to a meeting on October 26, 2011 to present and discuss the Commission's financial position, water rate model and proposal, as well as our long term O&M and Capital Plans. At the meeting, the Commission opened their books and went through each account. All customer questions were answered. Remember, one of the points of this meeting was to give our customers as much advanced notice as possible so that they could better plan for both the near and long term.

The Commission has met with both Mayor Emanuel and Commissioner Powers of the Department of Water Management regarding the proposed water rates.

On November 7, 2011, at a special meeting of the Metro Mayors Caucus, the Commission's Vice-Chairman Murphy as well as Commissioner Pruyn, General Manager Spatz, and Mayors from surrounding communities met with Mayor Emanuel and Commissioner Powers of the Department of Water Management. At that meeting, the Mayor made it clear that this money from the water rate increases would only be used for water fund work and it would not be used to support the corporate or the sewer funds. The Mayor stated that the City would be accountable by providing quarterly or bi-annual reports.

On November 9, 2011, the General Manager and I met with Commissioner Powers of the Department of Water Management at the Commission facility for over an hour to discuss the proposed water rate increases, the benefits to our system, accountability, future reporting, etc. At this meeting, Commissioner Powers also stated that the water revenues generated by the increases would only be used for water fund work. Since that meeting, we already received a letter from Commissioner Powers, stating some of the projects that the Department is planning that will benefit the Commission and reassuring the Commission that the Department will be accountable and revenues will stay in the water fund.

There has been much talk about suing the City or Department over their proposed water rate increases. Much of this is predicated on newspaper reports which may not be accurate. The Commission does not believe that suing should be our first option, but if the City or Department is not accountable and we have evidence that funds are being misappropriated that could be a future option.

Since the Commission and surrounding communities make up just under half of the water revenues that the Chicago Water System receives each year, we have made it clear that we are large stakeholders and should be part of future discussions regarding rates.

The Commission understands that these are hard economic times. We tried to keep our increases as moderate as possible, but still be able to provide you the quantity and quality of drinking water that you have become accustomed to.

Thank you.

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With no further comments, Commissioner Saverino moved to close the Charter Customer Hearing on Ordinance No. O-15-11: An Ordinance Amending Ordinance No. O-5-11, being "An Ordinance Establishing A Rate for Operation and Maintenance Costs for the Fiscal Year Commencing May 1, 2011 and Ending April 30, 2012." Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

PUBLIC COMMENT

None

APPROVAL OF MINUTES

Commissioner Russo moved to approve the Minutes the October 20, 2011 Regular Meeting, the Executive Session Minutes of the October 20, 2011 Regular Meeting, and the Minutes of the October 26, 2011 Special Meeting of the DuPage Water Commission. Seconded by Commissioner Murphy and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

TREASURER REPORT

Financial Consultant Lux presented the October 2011 Treasurer's Report, consisting of five pages.

Financial Consultant Lux highlighted the \$64.9MM of cash and investments reflected on page 1. Financial Consultant Lux also pointed out the schedule of investments on pages 2 and 3; the \$1.1MM in net cash from operating activities reflected in the summary statement of cash flows on page 4; and the \$11.9MM of unrestricted cash on hand as well as the full funding of the Operations and Maintenance, Operations and Maintenance Reserve, and Depreciation Accounts shown on page 5.

Commissioner Pruyn moved to accept the October 2011 Treasurer's Report. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

COMMITTEE REPORTS

Finance Committee – Reported by Commissioner Suess

Commissioner Suess reported that the Finance Committee reviewed and recommended for approval the action items listed on the Finance Committee Agenda.

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With regards to the Commission's Banking Relationships, Commissioner Suess noted that the Finance Committee discussed the proposals received for the Commission's day-to-day banking needs and recommended Harris Bank as they had the most favorable proposal and would be providing benefits in terms of both services and costs.

Commissioner Suess also noted that the Finance Committee discussed the proposals received regarding the Commission's Investment Services and recommended the services of PFM Asset Management LLC to assist the Commission with its investment needs.

Commissioner Suess concluded his report by noting that the Finance Committee discussed and recommended that a \$3MM prepayment of principal on the \$22MM West Suburban Bank Certificate of Debt be made on the next interest payment date, December 21, 2011, and that the recommended prepayment was included on the Accounts Payable for approval.

Commissioner Suess moved to adopt Ordinance No. O-15-11: An Ordinance Amending Ordinance No. O-5-11, being "An Ordinance Establishing A Rate for Operation and Maintenance Costs for the Fiscal Year Commencing May 1, 2011 and Ending April 30, 2012." Seconded by Commissioner Russo and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: None

Commissioner Suess moved to suspend the purchasing procedures of the Commission's By-Laws and to purchase Workers' Compensation and Employer's Liability insurance coverage, for a total premium of \$80,009.00, as proposed by Illinois Public Risk Fund and outlined by The Nugent Consulting Group. Seconded by Commissioner Janc and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: None

Commissioner Janc noted that he would be recusing himself from any discussion or vote related to the selection of an investment advisor in order to avoid the appearance

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of impropriety because his employer, JP Morgan, was one of the entities offering to provide investment advisory services to the Commission.

Commissioner Suess moved to engage the services of PFM Asset Management LLC as an Investment Advisor in accordance with its proposal dated October 12, 2011, and in an amount not to exceed \$75,000.00 without prior Board approval, and to authorize the General Manager to enter into any required retention agreements. Seconded by Commissioner Russo and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Nays: None

Recused: C. Janc

Absent: None

Administration Committee – Reported by Commissioner Crawford

Commissioner Crawford reported that the Administration Committee continued its discussion regarding the possibility of going paperless for future Board meetings and she encouraged members to opt out of receiving paper materials, noting that the Commission would be purchasing one iPad so that individual Commissioners could take turns familiarizing themselves with the device and then decide whether that was how they would like to proceed.

Commissioner Crawford further reported that the Commission had created e-mail accounts for each Commissioner that could be accessed from anyplace with internet access, and confirmed with each Commissioner that they had received instructions on how to access their accounts.

Next, Commissioner Crawford noted that staff was still in the process of reviewing the Commission By-Laws for recommended changes, and that staff was also working on SharePoint access for Board packet meeting materials and other reference documents which would expand wireless opportunities for the Commissioners.

Commissioner Crawford concluded her report by noting that the Administration Committee had favorably reviewed the recruitment profile for the Financial Administrator position as presented.

Engineering & Construction Committee – Reported by Commissioner Loftus

Commissioner Loftus reported that the Engineering & Construction Committee reviewed and recommended for approval the action items listed on the Engineering & Construction Committee Agenda. Commissioner Loftus further reported that the issue with Commonwealth Edison regarding their failure to provide sufficient documentation

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had been resolved, noting that the documentation the Commission had received not only satisfied the issue but also reflected a cost savings, and that the final invoices would be included on the December Accounts Payable for approval.

Commissioner Loftus moved to adopt item numbers 2 and 3 under the Engineering & Construction Report section of the Agenda in a single group pursuant to the Omnibus Vote Procedures. Seconded by Commissioner Furstenau and unanimously approved by a Roll Call Vote:

Engineering & Construction Omnibus Vote

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: None

Item 2. Resolution No. R-45-11: A Resolution Approving and Ratifying Certain Work Authorization Orders Under Quick Response Electrical Contract QRE-5/10 at the November 17, 2011, DuPage Water Commission Meeting—"Engineering & Construction Omnibus Vote"

Item 3: Resolution No. R-46-11: A Resolution Annuling the Award to Joliet Equipment Corporation and Re-Awarding a Contract for High Lift Pump Motor Re-Build at the DuPage Pumping Station—"Engineering & Construction Omnibus Vote"

ACCOUNTS PAYABLE

Commissioner Janc moved to approve the Accounts Payable in the combined amount of \$9,372,789.10, subject to submission of all contractually required documentation, for invoices that have been received and for invoices that have not yet been received but have been estimated. Seconded by Commissioner Suess and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: None

CHAIRMAN'S REPORT

Chairman Zay reported that the Commission received a letter from Commissioner Thomas Powers of the City of Chicago Department of Water Management outlining the City's capital needs and how the additional funds from the water rate increase would be applied towards the City's aging water system as follows:

- Replacing the East Filter Building Roof estimated at \$60MM
- Upgrades to the Laboratory estimated at \$33MM
- Renewal of the mixing and sediment equipment estimated at \$24MM
- Plant switchgear estimated at \$60MM

Chairman Zay further reported that all projects listed, which totaled approximately \$177MM, would benefit the Commission's Waterworks System as well.

Chairman Zay concluded his report by thanking Commissioners and staff for their hard work in providing customers with as much advanced notice as possible in order to help them better prepare for the January 1 water rate increase.

OMNIBUS VOTE REQUIRING MAJORITY VOTE

None

OMNIBUS VOTE REQUIRING SUPER-MAJORITY OR SPECIAL MAJORITY VOTE

None

OLD BUSINESS

Commissioner Furstenau requested that staff provide a status report on the various collective bargaining negotiations at the December meeting.

Commissioner Murphy moved to suspend the verbatim records procedures of the Commission's By-Laws to allow, and to ratify the allowance of, the General Manager to have custody of the verbatim record of the October 20, 2011, closed meeting of the Board of Commissioners. Seconded by Commissioner Furstenau and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, J. Pruyn, D. Russo, F. Saverino, M. Scheck, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: None

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NEW BUSINESS

None

EXECUTIVE SESSION

None

Commissioner Murphy moved to adjourn the meeting at 7:53 P.M. Seconded by Commissioner Loftus and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

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