

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, JANUARY 19, 2012
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:07 P.M.

Committee members in attendance: P. Suess, C. Janc, J. Pruyn, D. Russo (arrived at 6:15 P.M.), and J. Zay (*ex officio*) (arrived at 6:45 P.M.)

Committee members absent: none

Also in attendance: R. Furstenau, T. McGhee, N. Narducci, S. Lux of Baker Tilly, J. Nesbitt

Minutes

Manager of Operations McGhee informed the committee that the discussion notes from December 15, 2011 would become minutes upon committee approval at next month's meeting since Board Chairman Zay was present and is a committee member.

Treasurer Narducci asked that the December 15, 2011 discussion notes reflect that he approved the reconciliations since it was only noted that he was reviewing the reconciliations at that time.

Commissioner Furstenau asked why a Commissioner recused himself twice in the November 17, 2011 minutes. Commissioner Janc responded that he works for JP Morgan Chase and it was one of the banks under discussion for investment advisors and banking relationships.

Commissioner Janc moved to approve the Minutes of the November 17, 2011 Finance Committee meeting as presented. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

Approval of Reconciliations

Treasurer Narducci noted that the reconciliations were approved.

Committee Chairman Suess asked for a total amount for the reconciliations. Treasurer Narducci responded that the reconciliations are presented according to bank account. Mr. Lux added that the totals are on the Treasurer's Report.

Treasurer's Report – December 2011

Mr. Lux provided the Committee with a summary of the December Treasurer's Report.

Mr. Lux commented about the increase in cash and investments even though the Commission paid \$3MM in principal and \$300,000 of interest to West Suburban Bank.

At this time Commissioner Russo arrived at the meeting.

Committee Chairman Suess asked about the Commission's ability to pay off the 2003 revenue bond. Mr. Lux responded that the call date on that bond is not until 2013 and because they had been once refunded there is nothing that the Commission can do until that time.

Financial Statements – December 2011

Mr. Lux provided the Committee with a summary of the December Financial Statements.

Commissioner Janc asked why there was a significant decrease year over year for water sales in a winter month rather than a summer month. Mr. Lux responded that this might be because of water conservation and he has seen this decreasing trend at the City of Chicago especially after water increases.

Commissioner Pruyn asked what percentage General Manager Spatz factored into his rate model. Mr. Lux responded that General Manager Spatz factored in a 2% decrease.

Commissioner Russo asked if the decreasing trend works with the year-to-date running decline to General Manager Spatz's 2% decrease. Mr. Lux responded that usage year-to-date for the Commission is 1.9% below where it was versus 2010 and that there are one or two months with slight increases.

Commissioner Russo asked Manager of Operations McGhee if he has seen a 6% decrease in water use over one month's time previously. Manager of Operations McGhee responded that the Commission has seen this decrease previously but added that it would be better to look at usage annually rather than monthly since demand in the winter months are low and summer months are high. He added that water usage in the winter is usually attributed to water main breaks and since it has not been very cold this year, our customers haven't had many breaks. Mr. Lux added that although the percentage is larger than recent months the actual quantity is small since it is the winter.

Commissioner Russo asked if there will be an upward trend if there are no main breaks since there is a 6% decline in December. He added that he was concerned if this was a continuing declining trend that there would be no way to recoup since the season for water is the next fiscal year. Manager of Operations McGhee responded that there might still be a decrease since the rates are increasing which might force conservation because residents don't want to pay a higher water bill. He added that typically after a water rate increase water sales decrease for a short duration for a few billing cycles then pick up again. He also added that General Manager Spatz and he were reviewing the past year to see if 2% is a good number to use for revenues going forward.

Commissioner Janc asked if the favorable variances in our expenses would continue through the year or if there are some outlying expenses. Mr. Lux responded that there were some outlying expenses that he was going to discuss later in the meeting.

Mr. Lux informed the committee members that the management budget did not have the adjustment for the \$2,000 of interest expense from the certificates for the leased copiers that the appropriation budget had. He added that staff is going to reclassify the \$2,000 for interest expense. Committee Chairman Suess asked what the interest expense was for the copiers. Mr. Lux responded that the interest payment is approximately \$200 per month with a five year lease. Commissioner Pruyn asked if there was a separate charge for usage. Mr. Lux responded that there is a separate charge for usage which is \$200-\$300.

There was a brief discussion on the type of bond payment for the bond payable line.

Mr. Lux discussed with the Commissioners the larger items that have variances on the year-to-date schedule on the Revenue and Expense Report.

Commissioner Pruyn asked for a breakdown of the \$7M budgeted for the income for the water fund general in the tax area since it stated that 0% had been collected. Mr. Lux responded that the sales tax was on two separate lines for revenue and if they are combined then they show the correct amount. Commissioner Pruyn then asked what the contributions are for \$331,000. Mr. Lux responded that when the Commission builds a pressure adjusting station for a town, it is not the Commission's asset; the town pays the Commission to build it. He added that the Commission has an expense when it is built and then the contributions cover that cost. Commissioner Pruyn asked if it was paid a certain time of year. Mr. Lux responded that it would be recognized as revenue as it gets built.

Committee Chairman Suess asked where the Commission was with the dispute with DuPage County. Manager of Operations McGhee responded that staff is waiting on a response from the county. He added that General Manager Spatz spoke with some representatives from the county and they are working out what they would like to do. Committee Chairman Suess then asked if DuPage County still owes the Commission money. Manager of Operations responded in the affirmative.

Commissioner Russo asked to describe the Administrative overtime. Manager of Operations McGhee stated that, as an example, it is used for board packet preparation once a month and the accountant preparing the month-end closings. Commissioner Russo asked if the overtime is for the non-salary Administrative staff. Manager of Operations responded in the affirmative.

Ordinance O-1-12

The Committee discussed the ordinance and Committee Chairman Suess asked if the Commission was going to continue funding the employees' Health Savings Account going forward. Manager of Operations McGhee stated that, if finances allow, the

Commission will continue funding the employees' accounts at \$2,000 for a single and \$4,000 for a married couple.

At this time, Board Chairman Zay arrived at the meeting.

Commissioner Pruyn asked what percentage of the IRS maximum is the Commission funding. Mr. Lux responded that the Commission is funding around two-thirds. He added that overall there is savings for the Commission. Committee Chairman Suess asked if the employee does not use the entire amount in the account, if it carries over. Manager of Operations McGhee responded in the affirmative and added that it is similar to an IRA account.

Treasurer Narducci discussed with the committee how the appropriation is classified.

The committee then recommended the ordinance for approval.

Resolution R-3-12

The committee discussed the resolution and, after confirming that Baker Tilly will be available to overlap with the new Financial Administrator during the audit, recommended approval.

Resolution R-4-12

The committee discussed the resolution and Committee Chairman Suess asked if the Commission would keep the lockbox with MB Financial. Manager of Operations McGhee stated that the lockbox with MB Financial would be terminated.

Committee Chairman Suess stated that Sikich's approval has language that limits their liability and asked if the Commission, as a public entity, is able to agree to their limited liability. Mr. Lux responded that this is a standard proposal relating to indemnifying Sikich for errors that the Commission makes in providing them data. Committee Chairman Suess stated that a lot of public entities will not agree to limits of liability. He asked staff to research if there are any restrictions on the Commission's ability to agree to limits of liability. Mr. Lux stated that Staff Attorney Crowley would have to respond to his question.

At this time, Board Chairman Zay left the meeting.

After some discussion, the committee was in agreement to recommend approval subject to review of outside council. The committee was also in agreement to use this opportunity for staff to obtain a resource for outside council to review financial documents.

Election of Interest Period under Northern Trust Certificate of Debt

Manager of Operations McGhee informed the committee that the three month Libor rate is 0.56% and the one month Libor is 0.28%.

After some discussion, the committee was in agreement to lock in for one month Libor.

ComEd Capacity-Based Load Response (CLR) Program Compensation

Manager of Operations McGhee informed the committee that about a year ago when the Commission installed the generators, ComEd signed the Commission to a load response compensation program wherein ComEd would reimburse the Commission for operating its generators in the event of a load demand service interruption request from ComEd. He added that even though the Commission has never been asked to use it by ComEd, they gave the Commission \$339,000. Commissioner Pruyn asked if the Commission could sign up with this program again. Manager of Operations McGhee stated that ComEd is not offering this program again but he is looking into finding another program.

Accounts Payable

Mr. Lux presented the Accounts Payable to the committee members.

December 8, 2011 – January 12, 2012	\$3,857,325.33
<u>Estimated</u>	<u>\$921,120.00</u>
Total	\$4,778,445.33

Mr. Lux informed the committee that the INFOR Purchase Order for \$33,000 was being left on the Accounts Payable but the check was not being issued until after the next meeting since it is a sole source and over \$20,000 it needed to be brought before the board with a Request for Board Action.

Other

Treasurer Narducci commented that to comply with Jenner & Block's forensic audit and once the new Financial Administrator starts, everyone on the financial committee should have their qualifications posted on dpwc.org. He asked who had completed the continuing disclosure. Mr. Lux responded that he had completed the continuing disclosure and Staff Attorney Crowley posted it online.

After some discussion, the committee members were in agreement to recommend that Treasurer Narducci meets with staff prior to the Finance Committee meetings and present recommendations at the meetings.

Manager of Operations McGhee stated that there are many résumés that have been submitted for the Financial Administrator position; he asked the committee how they want to go about selecting a candidate. Commissioner Janc stated that General Manager Spatz should select a few candidates to see who he can work with then seek input from the committee.

Commissioner Russo asked to have a copy of staff job descriptions and an organization chart because he wanted to see where the Commission is in respect to percent of administration staff as well as operations staff. Mr. Lux stated that there are currently 33 employees, several of which are in the Administration department and the rest are in the Operations department.

Adjournment

The meeting concluded at 7:25 P.M.