

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, MARCH 15, 2012
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:12 P.M.

Committee members in attendance: P. Suess, C. Janc, D. Russo and J. Zay (*ex officio*)

Committee members absent: J. Pruyn

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

Minutes

Commissioner Russo moved to approve the Minutes of the February 16, 2012, January 19, 2012, December 19, 2011, and November 17, 2011 Finance Committee meeting as presented. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

Approval of Reconciliations

Treasurer Narducci noted that the reconciliations were approved.

Treasurer's Report – February 2012

Treasurer Narducci provided the Committee with a summary of the February Treasurer's Report.

Financial Statements – February 2012

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

At this time, General Manager Spatz arrived at the meeting.

Mr. Lux mentioned that next month, after speaking with General Manager Spatz and reviewing the cash flow, there may be a request for board action to use some sales tax dollars to pay down debt. General Manager Spatz added that should the Commission receive the \$2.6M payment from DuPage County before May 1st, his recommendation would be to pay \$5M to the Northern Trust loan and pay \$3M to the West Suburban loan. Mr. Lux added that there are obligations with Northern Trust to pay in \$5M installments annually so this \$5M would be the Commission's fiscal year 2013 payment.

Commissioner Russo asked if the Commission would be better off paying the whole sum to the Northern Trust loan. General Manager Spatz responded that it depends on if the interest rates start increasing and if the Commission would want to lock in to a longer term. He added that the Commission can make principal payments twice a year

on the West Suburban loan whereas with the Northern Trust loan principal payments can be made at any reset date. He added he would like to pay \$3M to the West Suburban loan next interest payment date, then depending on the forecast, possibly pay some additional money to the Northern Trust.

Mr. Lux noted that on the Revenue and Expense Report under other income, the negative \$1.1M is from writing off the construction in progress for the reservoir plans that were discussed at the last finance meeting.

Commissioner Russo asked what impact water use projections have when creating the budget and what effect any discrepancies to those projections would have on the budget. General Manager Spatz explained that the water rate increases from Chicago and the Commission's rate increase in January 2012 were not projected in the budget that was prepared in April of last year. He assured the Commissioners that the next three years increases will be reflected in the budgets since the rates have already been determined.

At this time, Manager of Operations McGhee left the meeting.

Commissioner Janc asked staff to add a monthly water usage bar chart similar to the yearly bar sales tax chart in the Finance Packet.

Resolution R-11-12

There was a discussion on the percentages in the statement regarding not to exceed 25% of the total portfolio in Item H on page four as well as the statement regarding not to exceed 5% of the total portfolio for a single issuer in Item D on page four and adding the previous line to Item H.

After some discussion, it was decided by the committee members to change the 25% of the total portfolio in Item H to 20% and add not to exceed 3% of the total portfolio for a single issuer to Item H and change the 5% of the total portfolio for a single issuer to 3% in Item D when the resolution comes up for approval in the main meeting.

Committee Chairman Suess was concerned about having a credit quality of the overall portfolio be AA or better. After some discussion, Mr. Lux suggested that the overall policy can be changed at any time and a few months after The PFM Group has invested and staff looks at their portfolio, the committee can adjust the investment policy to cover the AA rating or any of the percentages referenced above.

Treasurer Narducci commented that he would like to be added to Section 15 for distribution of the report.

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

Election of Interest Period under Northern Trust Certificate of Debt

The committee members agreed to reset the interest period to one month.

Draft Capital Asset Policy

Mr. Lux referred to the Draft Capital Asset Policy that was handed out at the start of the committee meeting. He stated that last year the auditors suggested to update this policy and to include information such as useful lives and determination of what is deemed to be the threshold for the dollar amount to be capitalized. He added that there is no action tonight but staff will have a request for board action next meeting for its approval. He also added that this policy mirrors the footnotes in the financial statements.

Update on the Financial Administrator Search

General Manager Spatz informed the committee that Manager of Operations McGhee, Treasurer Narducci, Mr. Lux and he reviewed the 67 résumés that had a CPA certificate and narrowed them down to twenty candidates. He added that in two weeks there will be Skype interviews with these twenty candidates which he will narrow down to seven to ten candidates then they will come to the Commission's offices for face-to-face interviews then he will narrow down to three and bring them to the finance committee for the Commissioners to interview them. He added that this will be right around the April Board Meeting.

Commissioner Russo asked if General Manager Spatz would be comfortable with the number of candidates he selected or would he like to increase the number to four or five. General Manager Spatz responded that depending on the outcome of the interviews he might bring two or five.

After some discussion, it was decided by the committee members to have a Special Finance Committee Meeting with an Executive Session for interviews before the next Board Meeting and invite all the Commissioners.

Resolution R-12-12

General Manager Spatz stated that Kevin Buoy and Nick Kottmeyer from DuPage County were attending the board meetings and that the Commission has been working on a settlement with DuPage County to pay down their subsequent customer contract. He added that the former General Manager had given DuPage County the wrong payment schedule and that they were underpaying. He referenced the final R-12-12 that was given to the Commissioners that night and described it as a settlement, where DuPage County would pay their outstanding principal the Commission before May 1, 2012 as well as their normal payment in April.

Commissioner Janc referenced the \$489,000 that was still in dispute and asked if it was still going to be outstanding. General Manager Spatz responded that this amount is still outstanding and the Commission will make no effort to collect it. Commissioner Russo asked if the accelerated principal payment was the benefit for collecting the \$2.561M. General Manager Spatz responded in the affirmative. Commissioner Russo calculated that the Commission will save money rather than collecting money over years from DuPage County.

General Manager Spatz stated that he will explain the revisions at the main meeting.

Update on the Legal Review of Financial Contracts

General Manager Spatz stated that the Harris Bank contract is still under legal review. He added that Harris Bank had a hard time obtaining a waiver but it was completed that day and Holland & Knight had received the contract and will complete their review quickly.

Accounts Payable

General Manager Spatz stated that the Accounts Payable amount has changed again from the revised agenda amount and had Staff Attorney Crowley review the numbers. He added that he will have the correct amount for the main meeting.

Discussion of Tentative Draft Fiscal Year 2012-2013 Budget

General Manager Spatz stated that he made adjustments to the budget based on the discussion from the last executive session which included an adjustment for raises and added a line item for interns which affects the taxes that deal with salaries.

At this time Board Chairman Zay left the meeting.

Adjournment

Commissioner Russo moved to adjourn the meeting at 7:15 P.M. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.