

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, FEBRUARY 21, 2013
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:04 P.M.

Committee members in attendance: P. Suess, C. Janc, J. Pruyn, D. Russo and J. Zay

Committee members absent: None

Also in attendance: J. Spatz, T. McGhee, C. Peterson, D. Ellsworth and R. Furstenau

Minutes

Commissioner Russo moved to approve the minutes of the Regular Committee Meeting of January 17, 2013 of the Finance Committee. Seconded by Commissioner Janc.

Commissioner Janc then stated there were a couple of sentences in the minutes that were phrased incorrectly and should be changed to reflect what was said. The changes were made to the first paragraph on page 4, the second and third sentence.

Commissioner Russo moved to accept the minutes of the Regular Committee Meeting of January 17, 2013 of the Finance Committee as corrected. Seconded by Commissioner Janc and unanimously approved by a Voice Vote. Motion carried.

Approval of Reconciliations

Treasurer Ellsworth stated that he had reviewed and approved the journal entries and bank reconciliations for the month of January.

Treasurer's Report – January 2013

Treasurer Ellsworth provided the Committee with a summary of the January Treasurer's Report. He noted on page 1 of the report that cash and investments totaled \$70.5M up \$3.4M from the previous month. The Treasurer noted the reports are now reflecting the investments at amortized cost.

Treasurer Ellsworth discussed the detailed investment schedules, individual account balances and market yield. Market yield on the portfolio remained relatively unchanged at 34 basis points.

Treasurer Ellsworth noted that year to date cash and investments has decreased by \$6.7M. Operating activities increased cash flows by slightly over \$500,000 due mainly to the timing of receivables collected. Sales tax collections increased cash receipts by \$24.5M. Debt Service payments year-to-date were \$30.6M. Construction of assets

generated a cash outflow of nearly \$1.3M year to date. Investment earnings totaled \$117,000 in a low interest rate environment.

Treasurer Ellsworth stated that all targeted reserve levels were met or exceeded. He then explained that the Commission had approximately \$12M in cash and investments over the reserve requirements. Commissioner Pruyn asked if the Commission had any additional required debt payments remaining in the current fiscal year. General Manager Spatz responded that additional prepayments of debt may be made prior to year end, but there are no required payments. The Commission does not have another required scheduled debt payment on the debt certificates until May 2014.

General Manager Spatz pointed out that the schedule showing the reserves targets compared to cash on hand will be changing next month due to the completion of the debt refinancing on February 1, 2013. The Commission no longer has restricted accounts.

Financial Statements – January 2013

Financial Administrator Peterson provided the Committee with a summary of the January Financial Statements. Revenue over expenditures increased to nearly \$19M as of January 31, 2013 driven by stronger-than-anticipated water sales and Sales Tax collections that continue to trend positively over the prior year. Year to date water sales were at 8% over the prior year. Sales tax revenues, while improving, have not yet returned to the highs seen in 2007. However, the past few month's collections have been post recession highs.

Financial Administrator Peterson noted that the all the reserve accounts are fully funded and compliant. The increase needed in the O&M account related primarily to rate increases from the City of Chicago. Financial Administrator Peterson discussed that this schedule will be changing next month as well.

Financial Administrator stated that the new Operating Reserve account and Long-Term Water Capital account, described in the previously accepted Reserve Policy, should be set up with PFM prior to month end. Therefore, the request was made for permission to begin moving funds out of the previously restricted accounts into the new reserve accounts. The O&M reserve, Depreciation and O&M accounts with PFM would be closed. In addition, \$34M would be moved into the Operating Reserve and \$1.175M would be moved into the Long-Term Water Capital Reserve. Any remaining balances would then remain in the General Fund.

General Manager Spatz explained that although the investments will be within a different account, the Commission is not changing the duration of the investments. The transition of investments will not require the sale and repurchase, just a transfer. Financial Administrator Peterson noted that the request is to fund the Operating Reserve to meet next fiscal year's target based upon the draft budget. Treasurer Ellsworth reminded the Commissioners that the levels being recommended were based upon set by the reserve policy that passed last month. The policy went into effect when the bonds were defeased on February 1, 2013.

Chairman Zay agreed to the movement of cash, but commented on remaining conservative regarding using the unrestricted cash as there is still debt outstanding and the loss of sales tax revenues in 2016. These are reserves the Commission is planning on having for a long period. Commissioner Pruyn added that since the Commission has budgeted for the timely repayment of debt before the loss of sales tax revenues, he agrees that it is important to maintain the fund balances.

Chairman Suess asked if the statements next month will give the committee a better understanding of the funds available. Financial Administrator Peterson replied yes. Chairman Suess stated then after reviewing next month's statements, the committee will discuss the possibility of additional debt certificate payments in the current fiscal year.

Commissioner Janc moved to approve the movement of cash and investments. Seconded by Commissioner Russo and unanimously approved by a Voice Vote. Motion carried.

Commissioner Furstenau left the meeting at 6:24 p.m.

Commissioner Janc asked about the difference in the cash balances on the balance sheet compared to the cash accounts on the Treasurer's schedule. Financial Administrator Peterson confirmed that the difference in cash is the amount in the checking account at BMO Harris, which is currently showing up as an investment on the balance sheet. She did note that the balance sheet classifications will be reviewed and amended within the next few months now that the debt refinancing is complete.

Update on Debt Refinancing and Related Reserve Activity

Financial Administrator Peterson stated that on February 1, 2013 the refinancing of the revenue bonds went very smoothly. The Commission now has \$42M of debt with BMO Harris. The Series 2003 Revenue Bonds have been defeased. Commissioner Pruyn asked if the bonds would be paid on May 1st. Financial Administrator Peterson responded yes and noted that the defeasance notice has been posted on EMMA. General Manager Spatz noted that Standard & Poors has withdrawn its rating. The Commission is waiting for Moody's to withdraw its rating.

General Manager Spatz noted that the amounts shown as being paid in the current year will reflect the May 1, 2012 payment of approximately \$14M in addition to approximately \$9M transferred to the irrevocable trust account on February 1, 2013. The cash balances will reflect this decline next month. The payments on the new debt will begin May 15, 2013. However, the first payment will be nearly \$4M to reflect approximately three months of payments being deferred until May. The funds needed to pay this amount will be set aside in the new principal and interest accounts established for the new bond series.

General Manager Spatz noted that the Commission is in discussions with Ice Miller LLP for a tax rebate calculation and opinion as part of their responsibilities as bond counsel.

The costs will remain below the amount contracted with Ice Miller.

Terry McGhee left the meeting at 6:30p.m., and General Manager Spatz left the meeting at 6:34 p.m.

Quarterly Investment Review

Financial Administrator Peterson then introduced Jeff Schroeder from PFM. Mr. Schroeder discussed the current economic environment and investment results for the Commission for the quarter ended December, 2012. Mr. Schroeder also reviewed a document that discloses that the Commission is in full compliance with its investment policy. Also discussed were additional investment suggestions for specific accounts.

Chairman Zay left the meeting at 6:40 p.m.

Election of Interest Period under Northern Trust Certificate of Debt

Financial Administrator Peterson stated that the Libor rate for one month is 0.20% which was slightly down from last month.

Commissioner Janc moved to recommend the election of a one-month Libor rate period with Northern Trust to the General Board. Seconded by Commissioner Russo and unanimously approved by a Voice Vote. Motion carried.

Accounts Payable

Financial Administrator Peterson presented the amended Accounts Payable to the committee members. The numbers below were to be presented in the General Meeting.

Jan 9, 2013 to Feb 7, 2013	\$ 6,327,443.17
<u>Estimated</u>	<u>\$ 640,865.00</u>
Total	\$ 6,968,308.17

Other

None

Adjournment

Commissioner Russo moved to adjourn the meeting at 6:57P.M. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.