

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, APRIL 21, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:05 P.M.

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

Committee members absent: J. Zay (*ex officio*)

Also in attendance: J. Spatz, T. McGhee, R. Skiba and J. Nesbitt.

APPROVAL OF MINUTES

The minutes of March 17, 2011 were postponed until the May meeting since there were some discrepancies. Manager of Water Operations McGhee stated that if there were any corrections to the minutes to inform him and they will be corrected.

APPROVAL OF RECONCILIATIONS

Manager of Water Operations McGhee stated that the reconciliations were not sent out in the packet since there were Commission account numbers on the reconciliations and General Manager Spatz did not want to have those available to the public. He stated that the reconciliations would be available at the meeting and then collected after the meeting.

Chairman Suess asked what the internal process is for approving the reconciliations. Former Financial Administrator Skiba that staff prepares the reconciliations then they are reviewed by him or consultant Mary Reibel then they are initialed at the bottom.

Commissioner Janc asked if the Finance Committee members are required to approve and sign off on the reconciliations. (Note: the new state statute requires the commission's staff accountant to perform bank reconciliations and general ledger account reconciliations on a monthly basis; the finance director shall review these reconciliations and provide them to the treasurer and the finance committee on a monthly basis.)

Former Financial Administrator Skiba recommended that the treasurer review the reconciliations early in the month at the Commission's office and report to the finance committee. He stated that the treasurer can stop by the Commission's office at any time to review the reconciliations.

Chairman Suess asked if Baker Tilly could sign off on the reconciliations. Manager of Water Operations McGhee stated that Baker Tilly is not part of management staff so they will probably not be able to sign off on these. (Note: Baker Tilly confirmed they will sign off on these reconciliations.)

Commissioner Janc asked if staff could send the summary level data to the finance committee with the account numbers removed. Former Financial Administrator Skiba

stated that the account numbers could be removed on the summary sheet. Commissioner Janc then stated that the finance committee could review the summary sheet and come to the meeting with questions and then view the source material.

Chairman Suess directed staff could see how Baker Tilly recommends the reconciliation review process should be carried out. Chairman Suess then stated that a process should be established and documented.

Chairman Suess stated that the reconciliation reviews will be deferred to the next committee meeting. Commissioner Pruyn stated that he would come into the Commission and review the reconciliations.

ORDINANCE NO. O-4-11, O-5-11, AND O-6-11

Manager of Water Operations McGhee stated that Ordinance No. O-4-11 is the management budget as presented, Ordinance No. O-5-11 establishes the rate for Operation and Maintenance costs in the amount of \$2.04, and Ordinance No. O-6-11 establishes the fixed costs in the amount of \$.25 with a bottom line price of \$2.29.

General Manager Spatz entered the meeting at 6:20 P.M.

Commissioner Pruyn asked if the rate would increase by 10% every year. General Manager Spatz stated that the rate increase depends in large part on the amount that Chicago increases its rate to the Commission. Commissioner Janc asked if the rate would increase by 10% plus tax revenues assuming there is no increase from Chicago. General Manager Spatz mentioned that the Commission rate increases in the future would be largely dependent on what the City of Chicago rate increases are.

Commissioner Pruyn asked if there were any questions or comments from the customers. Manager of Water Operations McGhee stated that the only questions that he received were if this is what the rate is going to be.

ORDINANCE NO. O-8-11

General Manager Spatz stated that staff is looking to the finance committee for direction on whether to lock into a one or three month rate for the \$40 million debt certificate extension. He stated that the loan would be closed next week.

The Committee discussed the probability and timing of future interest rates increases. Commissioner Janc expects that rates are not going to substantially increase until early 2012. He stated that he would rather do the three month rate lock instead of one month. General Manager Spatz stated that he reviewed LIBOR rates and found that over the summer the rates were a little higher. He stated that the \$30 million loan could be reset on December 21. He suggested that the Commission lock in a short-term rate with Northern Trust and go back to West Suburban to try to get a fixed rate. He stated that the Commission is in a position to presently pay down \$5 million of the \$40 million loan and \$8 million of the \$30 million loan then try to obtain a fixed rate on part of the remaining debt.

Commissioner Janc asked if the \$30 million could be paid down early. Former Financial Administrator Skiba responded that payments can be made in June and December. General Manager Spatz stated that the decision on how much of the debt should be converted to fixed rate should be made before December in case rates are bumped.

Chairman Suess asked what the rate would be if it was fixed with Northern Trust. General Manager Spatz stated that it might be 4% for the five year term. He also stated that West

Suburban Bank's fixed rate for a three year loan could be around 3.2% and likely would be 4% for five years.

General Manager Spatz stated that if the Commission does a three month lock after that a one month lock would default.

Commissioner Russo entered the meeting at 6:35 P.M.

General Manager Spatz updated Commissioner Russo on the \$40 million loan extension.

Chairman Suess asked if Staff Attorney Crowley was comfortable with the loan documents. General Manager Spatz stated that her discussions with Northern Trust Bank's attorneys are going well. Commissioner Russo asked if Staff Attorney Crowley was doing the legal review on the documents or if that was being done by an outside counsel. General Manager Spatz stated that she would be handling this review.

ORDINANCE NO. O-9-11

Former Financial Administrator Skiba prepared the final appropriation transfer for the fiscal year allowing 17% of the annual appropriation to be available for April outlays. This should insure that all line items will be within the appropriation. No additional money was appropriated. Appropriations were just reallocated.

Commissioner Pruyn asked if any appropriated items could be bumped. Former Financial Administrator Skiba stated that the Commission did that in the past but the prior board changed the procedure. He stated that in the past, transfers used to be done twice a year. He stated that if every number was appropriated it gave the Commissioners ability to expend funds to the board, but not the General Manager. Commissioner Pruyn asked when the appropriations were normally passed. Former Financial Administrator Skiba responded that they were normally passed in July. Commissioner Pruyn then asked what the spending authority for staff is. Former Financial Administrator Skiba responded that the budget is the spending authority for staff and the appropriations are the spending authority for the Commissioners.

Chairman Suess asked how much has been moved around to date. Former Financial Administrator Skiba stated that 4% has been reallocated. At 10%, a hearing would need to take place.

Chairman Suess then asked General Manager Spatz if he had any suggestions moving forward. General Manager Spatz responded that he agreed with Former Financial Administrator Skiba.

RESOLUTION NO. R-25-11

Manager of Water Operations McGhee stated that this resolution approves Commissioner Pruyn as a temporary treasurer with no compensation since he is a public official.

Chairman Suess asked if the committee members were in favor of this appointment. All voted aye.

General Manager Spatz left the meeting at 6:53 P.M.

TREASURER'S REPORT

Former Financial Administrator Skiba stated that cash receipts are meeting or exceeding cash needs. He stated that unrestricted cash is \$27 million.

Former Financial Administrator Skiba stated that \$18 million of the debt proceeds were used for construction. He also stated that the Commission should pay down the \$52 million of debt that was used to fund operating expenses first.

Commissioner Janc asked about Commission cash basis. Former Financial Administrator Skiba stated that the Commission has a lot of money in Money Market accounts with .1% or .2%. Chairman Suess stated that this is something that the committee needs to spend time on.

Chairman Suess asked that the investment policy be circulated to the Commissioners. Former Financial Administrator Skiba stated that it would not be a problem, but it might have to be updated since it is from 1993.

Former Financial Administrator Skiba explained the analysis done on local banks for certificate of deposit investments. Chairman Suess asked that a sample of these analysis reports be sent to the Committee.

FINANCIAL STATEMENTS

Former Financial Administrator Skiba reviewed the financial highlights for March. He stated that on page three of the financial statements there are important information on the bond ordinance requirements and financial policies of the Commission. He discussed the ordinance requirements in some detail.

ACCOUNTS PAYABLE

Former Financial Administrator Skiba stated that the \$891,000 in estimated bills are for bills with short payment periods: they will be received after the April Commission meeting and due before the next. Utility bills, like electric and gas, come in after the meeting and have a turnaround time of two weeks.

OTHER

Manager of Water Operations McGhee stated that Baker Tilly would be starting on Monday and Former Financial Administrator Skiba and Mary Reibel would be in all week to assist them.

Commissioner Pruyne asked how long Former Financial Administrator Skiba would be working with the Commission. Former Financial Administrator Skiba stated that he would be here through April and depending on how far Baker Tilly gets by the next board meeting. He stated he will be here then the beginning of June then on an as-needed basis. He further stated that after that time, the Commission and Baker Tilly will call on him as needed.

ADJOURNMENT

The meeting was adjourned at 7:20 P.M.