



DuPage Water Commission

600 E. Butterfield Road, Elmhurst, IL 60126-4642
(630) 834-0100 Fax: (630) 834-0120

NOTICE IS HEREBY GIVEN THAT THE RESCHEDULED JULY 2004 FINANCE COMMITTEE MEETING OF THE DU PAGE WATER COMMISSION WILL BE HELD AT 8:30 A.M. ON THURSDAY, JULY 8, 2004, AT ITS OFFICES LISTED BELOW. THE AGENDA FOR THE RESCHEDULED JULY 2004 REGULAR COMMITTEE MEETING IS AS FOLLOWS:

AGENDA
FINANCE COMMITTEE
THURSDAY, JULY 8, 2004
8:30 A.M.

600 EAST BUTTERFIELD ROAD
ELMHURST, IL 60126

COMMITTEE MEMBERS

A. Poole, Chair
T. Feltes
G. Mathews
J. Vrdolyak

- I. Roll Call
- II. Approval of Minutes for Committee Meeting of June 10, 2004
- III. Treasurer's Report – June, 2004
- IV. Financial Statements – June, 2004
- V. Accounts Payable
- VI. Local Investment Program – Request to Participate

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All visitors must present a valid drivers license or other government-issued photo identification, sign in at the reception area and wear a visitor badge while at the DuPage Pumping Station.

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DU PAGE WATER COMMISSION
HELD ON JUNE 10, 2004**

The meeting was called to order at 7:13 p.m. at the offices of the DuPage Water Commission, 600 E. Butterfield Rd., Elmhurst, Illinois 60126. Committee members in attendance: A. Poole, Committee Chairman and E. Chaplin. Also in attendance: Commissioner G. Mathews, Treasurer R. Thorn, Financial Administrator R. Skiba and C Pattelli.

MINUTES OF MEETING – APRIL 7, 2004

Motion by Commissioner Chaplin, seconded by Commissioner Poole, to approve the minutes of the April 7, 2004 Finance Committee meeting. This motion carried unanimously.

TREASURER'S REPORT – MAY, 2004

Treasurer Thorn presented the May, 2004 Treasurer's Report for Committee review. Motion by Commissioner Chaplin, seconded by Commissioner Poole, to recommend acceptance of the report by the full Commission at its meeting of June 10, 2004. This motion carried unanimously.

FINANCIAL STATEMENTS - MAY, 2004

The Committee reviewed the May, 2004 financial statements. After a brief discussion, the Committee accepted the financial statements for May, 2004.

ACCOUNTS PAYABLE

The Committee reviewed the accounts payable in the revised amount of \$19,105,064.61. The only revision was to add a payment for a settlement agreement on project TW-2. The Committee had no questions and will recommend approval of the accounts payable at the June 10, 2004 Commission meeting.

ARBITRAGE REBATE CONTRACT

Chapman and Cutler has been providing annual arbitrage rebate calculations for the Commission's revenue bonds since 1988. With the issue of the new revenue bonds in September, 2003, a new calculation contract is required. Staff is recommending approval of a contract with Chapman and Cutler for \$2,000 per year to provide arbitrage rebate calculations for the 2003 revenue bonds. Motion by Commissioner Chaplin, seconded by Commissioner Poole, to recommend acceptance of this contract by the full Commission at its meeting of June 10, 2004. This motion carried unanimously.

LIABILITY AND PROPERTY INSURANCE

The Committee reviewed memoranda from the Commission's insurance broker regarding the need to renew coverage before November 1, 2004. With the various changes and projects

currently taking place, staff recommended retaining the current broker for this process. Motion by Commissioner Chaplin, seconded by Commissioner Poole, to recommend at the June 10, 2004 meeting that the Commission continue the current brokerage arrangement for the November 1, 2004 liability and property insurance coverage. This motion carried unanimously.

REQUEST TO PARTICIPATE IN LOCAL INVESTMENT PROGRAM

Commissioner Zeilenga forwarded a request to participate in the Local Investment program from United Community Bank in Lisle. The Committee directed staff to have PMA Consultants review the bank in accordance with the Commission's procedures and report the consultant's findings at the July 8th Committee meeting.

ORDINANCE AND RESOLUTION REVIEW

The Committee reviewed and recommended approval of the following ordinance by the full Commission at its June 10, 2004 meeting:

Ordinance O-13-04: Annual Budget and Appropriation Ordinance for the Fiscal Year Commencing May 1, 2004 and Ending April 30, 2005

ADJOURNMENT

With no further business to come before the Committee, the meeting was adjourned at 7:32 p.m.



DuPage Water Commission

MEMORANDUM

TO: Robert Martin, General Manager

FROM: Cheryl Pattelli, Financial Administrator

DATE: July 2, 2004

SUBJECT: Treasurer's and Financial Reports – June 30, 2004


Because of the short, 2-day time period available for closing, the Treasurer's and Financial Reports will not be complete until Tuesday, July 6th. These reports will be delivered overnight to the Board members for receipt on Wednesday.

Thank you.

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DATE: July 2, 2004

REQUEST FOR BOARD ACTION

AGENDA SECTION	Finance Committee Agenda	ORIGINATING DEPARTMENT	Finance
ITEM	Local Investment Program- Request to Participate United Community Bank	APPROVAL	
<p>The Commission has been approached by United Community Bank seeking participation in the Commission's Local Investment Program. The Finance Committee recommended that the Commission's consultant for this program review the bank's financial condition and prepare an analysis for Commission review.</p> <p>The Commission's consultant reviewed the bank's financial condition and prepared an analysis for Commission review (attached). As a newly constituted bank and the only subsidiary of United Financial Holdings, Inc., it was rated average. With proper collateralization, the consultant suggested a \$10.9 million limit for this institution. However, based on limits given to prior participants of the program and the short history of the bank, staff recommends a limit of \$2.5 million with surety bonds or \$4 million with full pledged collateral. The bank has indicated to staff that it would prefer to utilize surety bonds and therefore accepts the \$2.5 million limit.</p> <p>The Committee will discuss this recommendation at the Finance Committee.</p>			
<p>MOTION: To direct staff to prepare a resolution to amend the local investment program to include United Community Bank.</p>			

PMA

FINANCIAL NETWORK, INC.

27545 Diehl Road, Suite 100
Warrenville, Illinois 60555

Phone: 630.393.9494
Fax: 630.393.9595

THE PMA REPORT

A PRUDENT MAN ANALYSIS on a Financial Institution

Information contained in this report has been taken from sources which PMA believes to be reliable. Nonetheless, it cannot be guaranteed to its accuracy or completeness. The opinions expressed are those of PMA and are subject to change without notice.

PMA RATING SCALE

(1 – 5)

Rank 1 – “Superior”

Institutions rated “Superior” consistently report the best financial figures in the industry. Their capital ratios are high and problem loans are kept at a minimum. They also have a high interest spread and generate a healthy return on assets by keeping expenses under control. Excellent management characteristics are displayed in this category. Timely repayment of investments at these institutions is almost certain.

Rank 2 – “Above Average”

Institutions rated “Above Average” are strong institutions with solid capital ratios. Delinquent and past due loans are dealt with prudently and kept to modest levels. Low overhead and strong spreads are credited to strong management policies. Timely repayment of investments is also nearly certain at these institutions.

Rank 3 – “Average”

Institutions rated “Average” maintain capital levels in excess of federal requirements. Compared to the above classifications, these institutions generally display somewhat lower profitability and more problematic loans. Management has demonstrated capable skill in formulating and executing effective strategies. Timely repayment of investments by these institutions is highly probable.

Rank 4 – “Below Average”

Institutions rated “Below Average” are experiencing financial difficulty. Some institutions may fall below federal capital requirements. Further, high levels of problem loans could jeopardize capital levels. High overhead and interest expense, problematic loans, and repossessed loans severely impair profitability. Management needs to reorganize plans and policies to improve future performance. Although these institutions have speculative investment characteristics, these institutions currently provide timely repayment of investments.

Rank 5 – “Poor”

Institutions rated “Poor” have the highest probability of failure. Capital ratios that are below federal minimum requirements are characteristic of these institutions. High levels of delinquent, nonperforming and repossessed loans have taken their toll in nearly all financial figures. Unless balance sheet improvements occur, these institutions will likely fail. Timely repayment of investments is suspect.

The PMA Rating Scale from strongest to weakest is: 1, 1-, 2+, 2, 2-, 3+, 3, 3-, 4, and 5



P M A

PMA FINANCIAL, INC.

June 15, 2004

United Community Bank Lisle, IL

INDIVIDUAL BANK RATING.....

3

Analyst: PW

(see rating note)

AT-A- GLANCE SUMMARY

TOTAL ASSET SIZE:	Medium-sized Asset Base
ASSET ALLOCATION	Well Diversified Balance Sheet
CAPITAL ADEQUACY:	Good Capitalization
ASSET QUALITY:	Good Asset Quality
PROFITABILITY:	Poor Earnings
NET INTEREST INCOME	Decent Net Interest Income

COLLATERALIZATION/INSURANCE OF DEPOSITS OVER \$100,000: Required

DuPage Water Commission Limit: \$10,905,000

See "Collateralization Disclaimer" on the Rating Note page for additional information on collateralization.

RATIO ANALYSIS

Period Ending.....	Dec 01	Dec 02	Mar 03	Jun 03	Sep 03	Dec 03	Mar 04
TOTAL ASSETS (\$Mill)	\$112	\$173	\$188	\$201	\$201	\$211	\$237
CORE CAPITAL	9.44%	9.00%	9.00%	9.03%	9.00%	8.94%	9.89%
NONPERFORMING ASSETS	0.44%	0.39%	0.51%	0.72%	0.34%	0.06%	0.50%
ROAA	-1.65%	0.72%	0.60%	0.51%	0.44%	0.51%	0.27%
INTEREST INCOME	6.63%	5.80%	5.09%	4.93%	4.85%	4.92%	4.75%
INTEREST EXPENSE	3.88%	2.62%	2.04%	1.97%	1.88%	1.82%	1.60%
NET INTEREST INCOME	2.74%	3.18%	3.05%	2.97%	2.97%	3.09%	3.15%

*All data in percent of average total assets

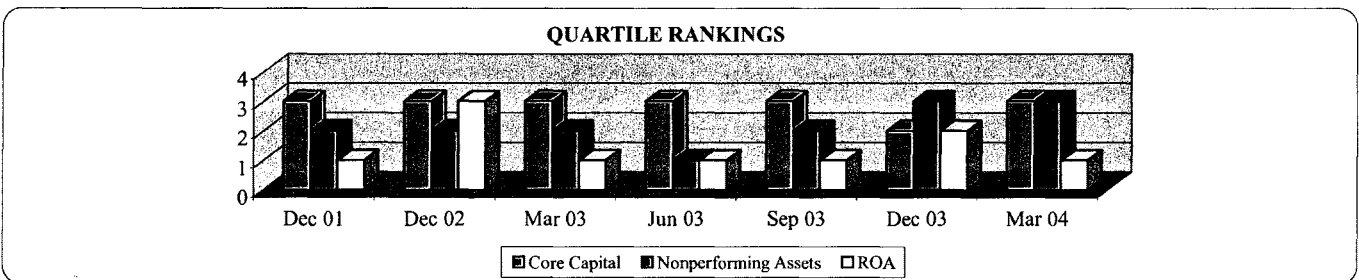
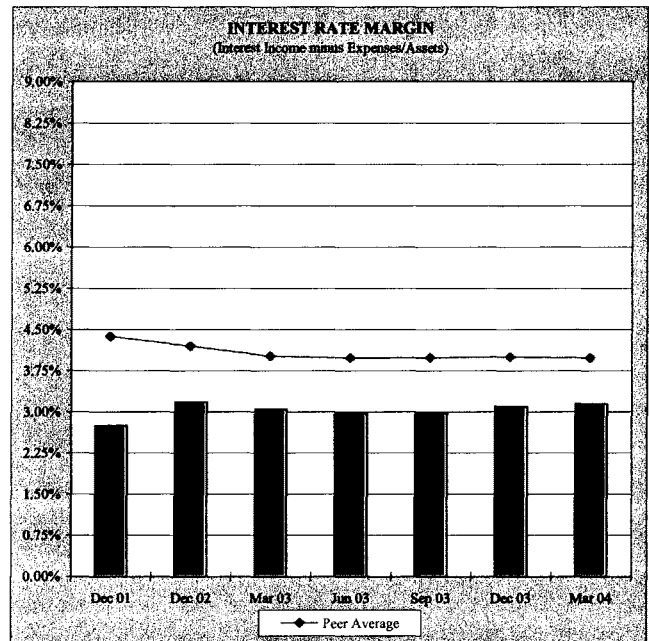
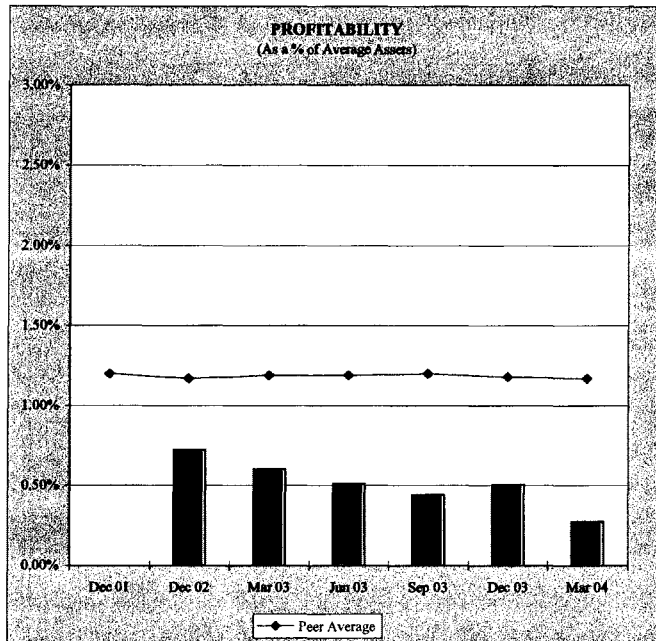
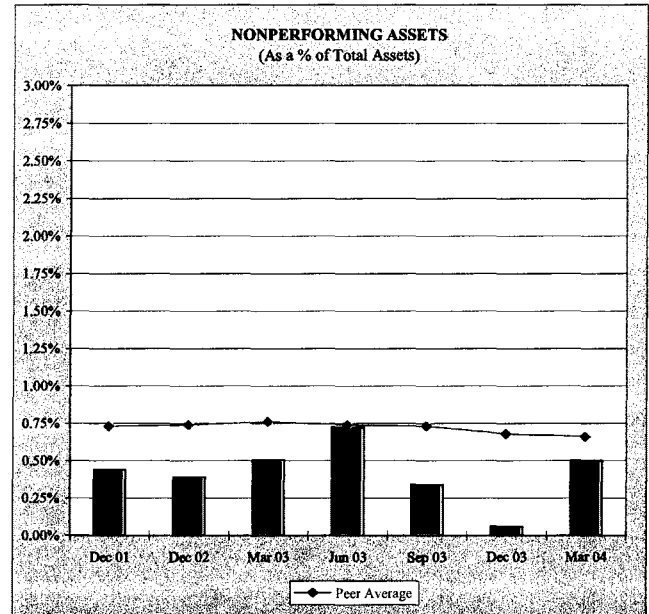
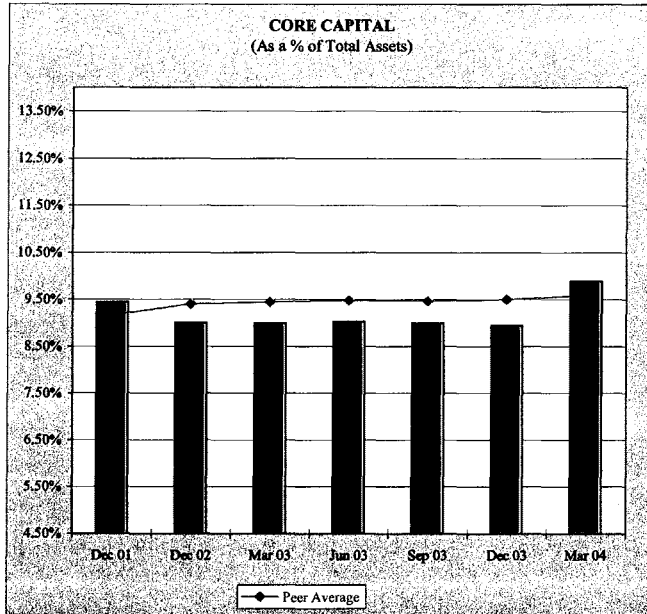
ASSET ALLOCATION

	Percent of Total Assets		
	Mar 04	Mar 03	CHANGE
CASH	1.19%	1.32%	-0.13%
FED FUNDS SOLD	3.34%	0.38%	2.96%
MORT. BACKED SECURITIES	14.70%	27.56%	-12.86%
OTHER SECURITIES	10.76%	1.27%	9.50%
TOTAL LOANS AND LEASES	61.73%	66.31%	-4.58%
RESIDENTIAL R.E.	8.06%	7.06%	1.01%
COMMERCIAL R.E.	36.02%	37.12%	-1.10%
COMMERCIAL & IND.	16.76%	21.41%	-4.65%
CONSUMER	0.89%	0.72%	0.17%
AGRICULTURE	0.00%	0.00%	0.00%
LEASES	0.00%	0.00%	0.00%
MORTGAGE SERVICING RIGHTS	0.00%	0.00%	0.00%
OTHER ASSETS	8.28%	3.17%	5.11%
TOTAL ASSETS	100.00%	100.00%	0.00%

PROFITABILITY

	Mar 04	Dec 03	Mar 03
INTEREST INCOME	4.75%	4.92%	5.09%
INTEREST EXPENSE	1.60%	1.82%	2.04%
NET INTEREST INCOME	3.15%	3.09%	3.05%
PROVISION FOR LOAN LOSS	0.65%	0.35%	0.00%
NONINTEREST INCOME	0.26%	0.23%	0.18%
NONINTEREST EXPENSE	2.48%	2.25%	2.31%
GAIN / LOSS ON AFS SECURITIES	-0.01%	-0.02%	-0.01%
INCOME TAXES	-0.01%	0.20%	0.31%
NET INCOME (ROAA)	0.27%	0.51%	0.60%

United Community Bank



Graph signifies quartiles, e.g., 4=4th Quartile (76 to 100%) and is the highest quality

Rating Note:

In determining the true health of an institution, consideration must be given to the strength of that institution's bank holding company, and not solely to the strength of that individual institution. A relatively weaker bank holding company can adversely affect and individual institution's health. Conversely, a sufficient, strong bank holding company can provide an additional source of strength to an individual institution.

Specific to this case,

United Community Bank (\$237 million in assets) is the only subsidiary of United Financial Holdings, Inc. (\$237 million in assets), a bank holding company. United Community Bank qualifies for a PMA rating of 3 on its own merit. It should be noted that United Financial Holdings, Inc. is relatively equal in strength when compared to United Community Bank and therefore, no rating adjustment is required.

Collateralization Disclaimer:

Proper collateralization requires the bank to take great care to ensure that the collateral has been perfected. At a minimum, it is recommended that, 1) the collateral be held by a third party, 2) the collateral be held in an individual account specific for the public entity only, and 3) each public entity should receive periodic statements confirming the value of the collateral. All public entities should have their collateral agreements and procedures reviewed by legal counsel.

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PMA REPORT DEFINITIONS

TOTAL ASSETS (SIZE):

The total assets listed on the balance sheet. Larger asset sized institutions are preferred over smaller institutions.

AVERAGE TOTAL ASSETS: An average of period-end total assets reported at each quarter-end and the prior year-end. Average total assets is used in the denominator of Profitability ratios.

CAPITAL ADEQUACY:

The capital provided by stockholders and owners, which provides a cushion against default when problem loans occur on the balance sheet.

CORE CAPITAL: Equity capital minus goodwill and intangible assets. This is the common ratio referenced in regards to Capital Adequacy.

ASSET QUALITY:

Management's ability to control losses through prudent loan underwriting and securities purchase. Banks hold capital and reserves to protect the balance sheet against deterioration in asset quality.

NON-PERFORMING ASSETS: The sum of total loans that are past due 90 days or more, non-accrual loans, and repossessed assets. This is the common ratio referenced in regards to Asset Quality.

PROFITABILITY:

The measure of a bank's income. Profitability ratios are calculated as year-to-date income and expenses as a percentage of average total assets.

INTEREST INCOME: Total income earned from interest-earning assets on the balance sheet. The largest source of interest income for banks is the interest earned on loans.

INTEREST EXPENSE: The total expenditures related to interest-bearing liabilities. The largest source of interest expense for a bank is the interest paid on deposits.

NET INTEREST INCOME: Interest income minus interest expense, also referred to as interest spread.

PROVISION FOR LOAN LOSS: A deduction from operating income that represents the bank's allocation to the loan loss reserve.

NONINTEREST INCOME: Income generated through fees, service charges, and loan originations.

NONINTEREST EXPENSE: Composed primarily of salaries paid to employees, occupancy, and depreciation on premises and equipment. Noninterest expense far exceeds noninterest income at most banks.

ROAA (RETURN ON AVERAGE ASSETS): Income before extraordinary items divided by average total assets. This is the common ratio referenced in regards to profitability.

