

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, AUGUST 21, 2014
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:00 P.M.

Committee members in attendance: P. Suess, C. Janc, J. Pruyn (arrived at 6:07 P.M.), and J. Zay

Committee members absent: D. Russo

Non-Committee members in attendance: None

Also in attendance: J. Spatz, C. Peterson, T. McGhee, D. Ellsworth, and J. Savio from Sikich

Minutes

Commissioner Janc moved to approve the Minutes of the Regular Committee Meeting of April 17, 2014 of the Finance Committee. Seconded by Chairman Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Approval of Reconciliations

Treasurer Ellsworth stated that he had reviewed and approved the journal entries and bank reconciliations for the months of June and July.

Treasurer's Report – June and July 2014

Treasurer Ellsworth stated that he had provided the Committee with written summaries of the June and July Treasurer's Report, but would focus on July results in the meeting. He noted on page 1 of the report that cash and investments totaled \$78.4M.

Treasurer Ellsworth discussed the detailed investment schedules, individual account balances and market yield. Market yield on the portfolio was at 58 basis points, up from the prior month's yield of 56 basis points. Unrealized losses at month end were approximately \$125,000 compared to unrealized losses of \$47,728 at the beginning of the year.

Treasurer Ellsworth noted that on the Statement of Cash Flows the year to date cash and investments has increased by just under \$8.4M. He stated that all targeted reserve levels were met or exceeded targets.

Financial Statements – June and July 2014

Financial Administrator Peterson provided the Committee with a summary of the July Financial Statements. She noted that three months into the current fiscal year, revenues are exceeding expenses slightly ahead of budgeted seasonal expectations, even as water sales are below budget by nearly 6%. An offset is water purchases are nearly 7% below budgeted seasonal expectations.

Sales Tax collections were higher than prior year revenue amounts by approximately 6.0% in June and July. Cumulatively Sales Tax collections as of July 31, 2014, were approximately \$370,000 over the prior year.

Financial Administrator Peterson discussed balances and activity within the cash and investment accounts compared to targets and liabilities.

Financial Administrator Peterson noted that cash balances were up compared to prior year by nearly \$14M. Receivables were flat versus prior year due to timing of collections and lower water sales, partially offset by higher water costs. Debt has declined by \$32M compared to prior year balances at July 31st.

Financial Administrator Peterson noted that there was no unusual activity or significant variances to discuss in the revenue and expense accounts.

2014 Annual Audit Report

Jim Savio of Sikich presented an overview of the audit results and the process to the Committee. Mr. Savio's noted that the Commission had no audit adjustments, no past adjustments, no material weaknesses, no significant deficiencies, and no deficiencies. The opinion from Sikich is unmodified.

Chairman Zay moved to recommend to the Board to accept the draft audit report for the fiscal year ending April 30, 2014. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Mr. McGhee left the meeting at 6:20 P.M.

Discussion regarding the Reserve Fund Policy and Investment Policy

General Manager Spatz began a discussion regarding the suggested revisions to the Reserve Fund Policy and Investment Policy. He noted that Reserve Fund Policy draft incorporates a new reserve for funding near-term projected capital spending. The Capital Reserve would be set up after all the debt certificates were redeemed. General Manager Spatz then stated that next month Commission staff would be bringing to the Finance Committee a resolution recommending the Commission pay down the remaining debt certificates outstanding of \$7M. The suggested minimum balance would be 3 years of capital spending, which would be approximately \$15M to \$18M.

Chairman Suess asked General Manager Spatz to detail the differences between the proposed Capital Reserve and the Long-Term Water Capital Reserve Fund. General Manager Spatz described how the Long-Term Water Capital is for building reserves for the replacement of assets of significant size and scope related to the facilities and distribution system not expected to be replaced in the near-term. The Capital Reserve would be for the projects expected to occur in the next 1-5 years that were outlined in the Commission's 5 year capital improvement plan. A discussion regarding the movement of funds between accounts to fund this reserve and the required balances within each account was discussed.

Election of Interest Period under Northern Trust Certificate of Debt

Financial Administrator Peterson stated that the Libor rate for one month was at approximately 0.155%.

Accounts Payable

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

July 9, 2014 to August 12, 2014	\$8,744,414.76
<u>Estimated</u>	<u>\$ 683,815.00</u>
Total	\$9,428,229.76
June 7, 2014 to July 8, 2014	\$8,350,586.46
<u>Estimated</u>	<u>\$ 795,015.00</u>
Total	\$9,145,601.46

Other

None

Adjournment

Commissioner Janc moved to adjourn the meeting at 6:53 P.M. Seconded by Commissioner Pruyn and unanimously approved by a Voice Vote.

All voted aye. Motion carried.