

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, FEBRUARY 19, 2015
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Zay at 6:35 P.M.

Commissioners in attendance: J. Broda, L. Crawford, J. Fennell, R. Furstenau, D. Loftus, D. Novotny, J. Pruyn, D. Russo, M. Scheck, P. Suess and J. Zay

Commissioners Absent: R. Gans and F. Saverino

Also in attendance: Treasurer D. Ellsworth, J. Spatz, C. Johnson, C. Peterson, T. McGhee, J. Rodriguez, R. C. Bostick, J. Schori, M. Weed, F. Frelka, and E. Kazmierczak

TENTATIVE DRAFT FISCAL YEAR 2015-2016 BUDGET

General Manager Spatz began his presentation by commending the Commissioner's for their hard work over the last four years noting that the Commission had reached a turning point and was now in a position to lower the water rates by slightly over 2%. Because of this turning point, General Manager Spatz noted that when the Commission's annual \$35M in sales tax sunsets in 2016, the customers would not see a spike in their water rates.

General Manager Spatz began his presentation on the Tentative Draft Fiscal Year 2015-2016 Budget, highlighting debt activity, investment activity and any new requirements, budget trends over the last several years, comparative projections, the capital five year plan which includes new projects resulting from the condition assessment project, the rate model, O&M costs, and fixed costs going forward.

General Manager Spatz began his PowerPoint presentation by comparing the debt activity from 2011 to present day noting that the Commission's debt in 2011 reflected \$70M in debt certificates with \$72M remaining on the revenue bonds compared to present day debt in which the Commission had paid off the debt certificates 18 months early with approximately \$15M remaining on the revenue bonds at an interest rate slightly below 1%.

With regards to the Investment and Reserve Activity, General Manager Spatz noted that the Commission was actively investing with a diversified portfolio earning a market yield of about 66 basis points noting that the Commission had restructured its reserve accounts. Currently, the Commission has met the minimum requirement of 120 days of total expenses (approximately \$37M) in the operating reserve account which includes capital, less depreciation. However, the operating reserve amount is expected to increase to approximately \$40M due to the January 1st water rate increase. The capital reserve account would increase approximately \$4M based upon the new five year capital plan. The long term capital reserve would require an additional \$2.1M in FY 2015-2016. In FY2015-2016 the total reserve requirement would be approximately \$77M based upon the Commission's policies.

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Next, General Manager Spatz presented the management budget trends over the last several years noting that the total operating expenditures decreased by \$9.1M (over 42%) from the FY2011-2012 budget to the proposed FY2015-2016 budget.

General Manager Spatz reported on the budget projections starting with the revenue chart; water sales makes up 77.6% or \$124.8M, sales tax makes 21.6% or \$34.7M and other income makes up about 0.8% or \$1.3M. Missing from the Revenue projection was the Fixed Cost which in previous years used to be approximately 5% or \$7.1M. On the expense chart, General Manager Spatz reported that direct water distribution costs makes up 87.6%, depreciation is at 6.7%, personnel services is 3.5%, professional services is 0.7% and insurance, administrative costs, and bond interest were about 0.5%.

General Manager Spatz briefly reviewed the total revenues and total operating expenditures noting that the revenues reflected an increase from \$109.8M to \$124.8M due to the 17% water rate increase as of January 1st and the shifting of the fixed cost to O&M starting May 1st. Total operating expenditures were budgeted to increase from \$116.4M to \$123.3M mainly due to water rate increases from the City of Chicago.

2015-2020 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

General Manager Spatz began by pointing out several new projects that had been added based on the recent condition assessment with expenditures totaling about \$5.8M per year and provided a brief summary of the new projects which included:

- Replacement of the telephone system
- Rehab of the high lift pumps (approx. 1 to 2 pumps rehabbed each year)
- High lift pump vibration monitoring upgrade
- Portable Emergency Generator upgrades
- Generator Building wall and Masonry Rehab
- Admin Bldg/ Pump Station Bldg Rehab
- E & W Effluent Vault Rehab
- Reservoir Influent Building Rehab

Commissioner Suess mentioned benchmarking the Commission against other utilities and General Manager Spatz stated that that was something the Commission would continue to track.

Before concluding his presentation, General Manager Spatz shared that a Press Conference was held at the Commission facility the previous week. Guest speakers included Governor Bruce Rauner, Lt. Governor Evelyn Sanguinetti, DuPage County Board Chairman Dan Cronin, and Chairman Jim Zay. The topic was government reform and consolidation. General Manager Spatz noted that Chairman Cronin, during his speech, expressed how pleased he had been with the strong leadership of Chairman Zay and Board members; calling the Commission a sustainable utility and an excellent example of government transformation.

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Chairman Zay thanked staff for their help in organizing such a great event noting how far the Commission had come from four years ago noting the Commission's success was truly a credit to all.

After Chairman Zay reminded Board members to submit, to staff, any/all of their questions and preferable in advance of the March meeting to allow staff the time to prepare a full Question/Answer explanation sheet, he then asked for a consensus to allow staff to distribute the Tentative Draft FY 2015-2016 Management Budget to the Commission's customers to which all agreed.

Before the meeting adjourned, Commissioner Suess expressed his appreciation for the leadership of General Manager Spatz and to staff members for their hard work on the budget noted how much progress had been accomplished.

Commissioner Broda moved to adjourn the meeting at 7:05 P.M. Seconded by Commissioner Scheck and unanimously approved by a Voice Vote.

All voted aye. Motion carried.