

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE  
MEETING OF THE DUPAGE WATER COMMISSION  
HELD ON THURSDAY, FEBRUARY 21, 2019  
600 E. BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

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

Commissioners in attendance: D. Bouckaert, J. Broda, J. Fennell, R. Gans, J. Healy, D. Novotny, R. Obarski, J. Prun, and J. Zay

Commissioners Absent: D. Russo, F. Saverino, and P. Suess

Also in attendance: J. Spatz, C. Peterson, A. Stark, D. Cuvalo, and J. Schori

**TENTATIVE DRAFT BUDGET FOR FISCAL YEAR 2019-2020**

General Manager Spatz began his PowerPoint presentation on the Tentative Draft Budget for Fiscal Year 2019-2020 noting that he would be highlighting debt activity, investment activity, reserve activity, reserve requirements going forward, the new tentative budget and budget trends, comparisons to last year's budget, and the five-year capital improvement plan.

With regards to the debt activity, General Manager Spatz shared that the Commission continues to be completely debt free and operating mostly on water sales.

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 2.00% with total investments of \$152.5M.

With regards to the new reserve requirements, General Manager Spatz noted the Operating Reserve requirement decreased by \$5.3M due to the \$21M Bartlett project flowing thru, the account currently has approximately \$68.7M which is \$2.9M over the requirement. The Capital Reserve also decreased by \$2.8M due to the almost completed Bartlett project. The Capital Reserve is currently under the requirement by about \$3M. With that said, the extra \$2.9M from the Operating Reserve would be transferred to the Capital Reserve with no additional funding necessary. Long term Capital Reserve will require the normal \$2.1M added each year. The additional \$2.1M needed will be transferred from the General Account at the beginning of the FY2019-2020.

With regards to the City of Chicago's expected water rate adjustment for 2019, General Manager Spatz noted that a water rate increase had been anticipated from the City of Chicago based on the increase in the Consumer Price Index from December 2017 to December 2018. Based upon the 0.82% in the Index, the Commission anticipates a 3 cent increase per thousand gallons. The Commission has not received any official notice from the City. The tentative budget for FY2019-2020 reflects the Commission's water rate increasing on May 1, 2019 the same 3 cents per thousand gallons and the total Charter Customer's water rate increasing from \$4.95 to \$4.98 (0.60%) per thousand gallons.

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General Manager Spatz reported on the budget trends for the last seven years starting with total revenues noting that the fixed costs and sales tax revenues remain at zero. General Manager Spatz pointed out the total expenditures for the budget year. The total expenditures, minus water purchases and depreciation, equals the total operating expenditures. The total operating expenditures are budgeted to increase mainly due to the water rate increase for purchases from the City of Chicago, personnel services, professional services related to the new Comprehensive IT Security Services, and additional depreciation for projects completed.

General Manager Spatz briefly reviewed the total revenues and total expenditures noting that revenues reflected that water sales make up 97.0% and 3.0% make up other income. Total expenditures reflected direct water distribution cost make up 86.1%, depreciation is 7.7%, personnel services is 4.2%, professional services is 0.9%, insurance is 0.5% and administrative costs is 0.6%.

General Manager Spatz provided the following breakdown which compares the 2019-2020 Budget to the prior fiscal year:

### Revenues

- O&M payments increased from \$122.0M to \$127.6M
- Fixed Cost Payments – remain zero
- Subsequent Customer Differential – increased from the prior year due to the additional income related to the Village of Bartlett becoming a customer. (this amount is based upon an accrual basis)
- Emergency Water Sales – remain the same as prior year
- Sales Taxes – budgeted at zero
- Interest income – estimated at 50 basis points for our invested reserves
- Total Revenue – budgeted to increase from \$123.6M to \$131.6M

### Expenses

- Personnel services – budgeted to increase due to recent salary adjustments, possible cost of living adjustments, and higher medical and healthcare benefits
- Professional services – budgeted to increase due to the addition of the Commission's Comprehensive IT Security
- Insurance costs - budgeted about the same as prior year
- Administrative costs – budgeted about the same as prior year
- Direct Distribution costs – budgeted to increase because of the water rate increase of 3 cents per thousand gallons and additional water purchases needed to supply the Village of Bartlett
- Bond interest cost – budgeted at zero
- Equipment Land and Right-of-Way – budgeted to increase slightly due to purchasing new computers and tablets.
- Depreciation – budgeted to increase due to completion of some capital projects

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Total Expenditures are budgeted to increase from \$123.5M to 129.0M and Net Operating Accounting Transactions are budgeted to increase from \$0.1M to \$2.6M.

General Manager Spatz pointed out that the Subsequent Customer Differential is \$2.9M based on the accrual basis. However, based on a cash flow basis, the Commission will only be collecting approximately \$399K. The difference between the accrual and cash basis is \$2.5M. The reason for this difference is that the Commission is accruing for revenues already received plus accruing for Bartlett's buy-in for a period of only 5 years (2024). On the expense side, depreciation is not a cash expense and the capital program for FY2019-2020 is a cash expense.

### **2019-2024 FIVE-YEAR CAPITAL IMPROVEMENT PLAN**

General Manager Spatz began by pointing out several new projects that had been added based upon recent condition assessment and some that have been updated with expenditures averaging about \$9M per year.

General Manager Spatz concluded his report with the following:

- The Commission is a self-sustaining water utility
- The Commission continues to be completely debt free and no longer collecting any sales tax
- The Commission continues to hold the line on spending while maximizing efficiencies
- On May 1, 2019, the Commission would be increasing water rates slightly based upon the anticipated rate increase from the City of Chicago
- The Commission's net cash position will decrease by approximately \$4M
- The Commission continues to grow by adding new customers which in turn would increase revenues and help keep customer rates down
- The Commission will be a best in class model government agency and water utility

After Chairman Zay thanked General Manager Spatz and staff for their hard work on the budget, Commissioner Broda moved to adjourn the meeting at 6:33 P.M. Seconded by Commissioner Gans and unanimously approved by a Voice Vote.

All voted aye. Motion carried.