

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, FEBRUARY 18, 2021
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

DUE TO THE CORONAVIRUS THE MEETING WAS HELD VIA WEBEX.

The meeting was called to order by Chairman Zay at 5:30 P.M.

Commissioners in attendance in person: J. Zay

Commissioners in attendance via Webex: D. Bouckaert, J. Broda, J. Fennell, R. Gans, J. Healy, D. Novotny, J. Pruyn, K. Rush, F. Saverino and P. Sues

Commissioners Absent: R. Obarski and D. Russo

Also in attendance in person: J. Spatz, C. Johnson, C. Peterson and J. Rodriguez

Also in attendance via Webex: Treasurer W. Fates, A. Stark, D. Panaszek, D. Cuvalo, J. Bonnema, C. Bostick, J. Schori and M. Weed

TENTATIVE DRAFT BUDGET FOR FISCAL YEAR 2021-2022

General Manager Spatz began his PowerPoint presentation on the Tentative Draft Budget for Fiscal Year 2021-2022 noting that he would be highlighting debt activity, investment and reserve activity, reserve requirements going forward, the new tentative budget and year-end projections, comparisons to last year's budget, and the five-year capital improvement plan.

General Manager Spatz then began his Budget presentation starting with the debt activity stating 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 1.39% with total investments at \$159.1M.

With regards to the new reserve requirements, General Manager Spatz noted that the Operating Reserve requirement will decrease by about \$1.3M and the Capital Reserve increased by \$6.4M due to various Capital Improvements. He noted that the Capital Reserve does not include funding for any Tollway projects. Long Term Capital Reserve will require the normal \$2.1M added each year to meet its requirement. The current total reserve policy requirement for FY2021-2022 will be \$154.4M.

With regards to the City of Chicago's expected water rate adjustment for 2021, General Manager Spatz noted that a water rate increase had been anticipated from Chicago based on the increase in the Consumer Price Index from December 2019 to December 2020. Based upon the 1.10% increase in the Index, the Commission anticipates a \$0.04 cent per thousand gallon increase in June from Chicago. The tentative budget for FY2021-2022 reflects the Commission's water rate beginning on May 1, 2021 would remain the same as the previous fiscal year at \$4.97 per thousand gallons.

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General Manager Spatz briefly reviewed the total revenues and total expenditures noting that revenues reflected that water sales make up 97.1% and 2.9% make up other income. Total expenditures reflected direct water distribution cost make up 84.9%, depreciation is 7.9%, personnel services is 4.9%, professional services is 1.1%, insurance is 0.6% and administrative costs is 0.6%.

Next, General Manager Spatz provided the following breakdown which compares the year-end 2020-2021 Budgeted versus Projected:

Revenues

- O&M payments are projected to increase from \$125.3M to \$130.2M which is approximately \$4.9M higher than what was budgeted.
- Fixed Cost Payments – remained zero.
- Subsequent Customer Differential – remained the same.
- Emergency Water Sales – are projected to increase from \$20,725 to \$40,000.
- Sales Taxes – budgeted at zero.
- Interest income – projected approximately \$1.2M higher based upon Commission's current conservative investments.
- Total Revenue – are projected to increase from \$129.5M to \$135.7 which is approximately \$6.2M higher than what was budgeted.

Expenses

- Total Expenditures for personnel services, professional services, insurance costs, administrative costs, equipment, land and right-of-way are projected to be about \$1.2M lower than budgeted.
- Direct Water Distribution Costs – originally budgeted at \$111.9M are projected higher at about \$115.3M due to water purchases from Chicago and various watermain repairs.
- Depreciation originally budgeted at \$10.3M is projected to come in lower at \$9.5M due to timing of capital projects being completed.
- Total Expenditures are over budget by about \$1.35M.
- Net Operating Accounting Transactions are expected to be about \$3.4M higher. They were originally budgeted for a loss of \$1.5M.

General Manager Spatz provided the following breakdown which compares the 2021-2022 Budget to the prior fiscal year:

Revenues

- O&M payments – are budgeted to remain the same.
- Fixed Cost Payments – are budgeted to remain zero.
- Subsequent Customer Differential – are budgeted to remain the same.
- Emergency Water Sales – are budgeted to slightly increase.
- Sales Taxes – budgeted at zero.
- Interest income – are budgeted to decrease significantly due to the elimination of interest accrued when the Village of Bartlett paid off in full their construction loan.
- Total Revenues – are budgeted to decrease from \$129.5 to \$128.9.

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Expenses

- Personnel services – budgeted to increase due to salary adjustments, possible cost of living adjustments, additional IMRF costs, overtime due to Covid-19, early retirement incentive, higher medical and healthcare benefits.
- Professional services – budgeted to increase slightly for assistance with any special projects.
- Insurance costs - budgeted to increase by about 14% due to self-insurance costs.
- Administrative costs – budgeted to increase slightly.
- Direct Distribution costs – budgeted to increase because of Chicago's water rate increase, pipeline repairs and Lexington Pumping Station capital costs.
- Equipment, Land and Right-of-Way – budgeted to decrease slightly.
- Depreciation – budgeted to increase due to project completion.

Total Expenditures are budgeted to increase from \$130.9M to 133.9M and Net Operating Accounting Transaction are budgeted to decrease the Commission's cash position by about \$5M.

General Manager Spatz reviewed the cash flows specifically highlighting that the Village of Bartlett was budgeted at \$1.27M and since they paid off their construction loan in the amount of \$18M, the Total Revenues that were originally budgeted at \$127.8 had come in at about \$150.8M. Capital had been budgeted for \$32.3M and of that, \$10M had been earmarked for the Tollway project. The By-Pass project initially budgeted for \$14M was significantly lower at \$2M for a cost savings between the projects totaled roughly \$20M.

2021-2026 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

General Manager Spatz began by pointing out that many of the capital projects are near design completion and will begin the next phase of bidding and construction. The Commission has installed new software that tracks capital and timelines more efficiently.

The five-year capital improvement plan total cost is budgeted at \$74.8M minus \$10M if there are no tollway supply line upgrades needed.

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.
- The Commission reserves and cash & equivalents will continue to decrease over time as we continue to hold water rate increase.
- The Commission will continue to look into opportunities to add new customers, which will increase revenues and assist in keeping all customer rates lower.

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- The Commission continues to 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 Pruyn moved to adjourn the meeting at 6:02 P.M. Seconded by Commissioner Saverino and unanimously approved by a Roll Call Vote.

Ayes: D. Bouckaert, J. Broda, J. Fennell, R. Gans, J. Healy, D. Novotny, J. Pruyn, K. Rush, F. Saverino, P. Suess, and J. Zay

Nays: None

Absent: R. Obarski and D. Russo

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