

**MINUTES OF A MEETING OF THE
DuPAGE WATER COMMISSION
HELD ON THURSDAY AUGUST 18, 2011
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Zay at 7:30 P.M.

Commissioners in attendance: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, P. Suess, J. B. Webb, and J. Zay

Commissioners Absent: J. Pruyn, D. Russo, F. Saverino, and M. Scheck

Also in attendance: N. Narducci, J. Spatz, M. Crowley, R. C. Bostick, T. McGhee, J. Schori, J. Nesbitt, M. Weed, E. Kazmierczak, F. Frelka, and N. Cavaliere and S. Lux of Baker Tilly.

PUBLIC COMMENT

None

APPROVAL OF MINUTES

Commissioner Furstenau moved to approve the Minutes of the July 21, 2011 Regular Meeting of the DuPage Water Commission. Seconded by Commissioner Crawford and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

TREASURER REPORT

Financial Consultant Cavaliere presented the July 2011 Treasurer's Report, consisting of five pages.

Financial Consultant Cavaliere highlighted the \$57.2MM of cash and investments reflected on page 1, which had increased \$2.9MM from the previous month due to customers' early payments. Financial Consultant Cavaliere also pointed out the schedule of investments on pages 2 and 3; the \$12.8MM decrease in cash and cash equivalents reflected in the summary statement of cash flows on page 4; and the \$6.4MM of unrestricted cash on hand as well as the \$5MM reduction in the Northern Trust debt reflected in the monthly cash operating report on page 5.

Commissioner Murphy moved to accept the July 2011 Treasurer's Report. Seconded by Commissioner Janc and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

COMMITTEE REPORTS

Finance Committee – Reported by Commissioner Suess

Commissioner Suess reported that even though the Finance Committee did not have a quorum, the members present discussed the following Finance Committee Agenda items:

- Electric Supply Agreement
- Quarterly Budget Review
- 2011 Annual Audit Report

Commissioner Suess asked Sikich LLP representative, Louis Karrison, to present the 2011 Annual Audit Report. Mr. Karrison stated that his firm's professional opinion of the Commission's financial statements for the fiscal year ending April 30, 2011, was unqualified. He explained that the Commission's financial position at FYE2011 was fair and that the changes in financial position and cash flows for the year then ended were reflected in conformity with generally accepted accounting principles. Mr. Karrison added that it was his firm's professional opinion that the Commission's financial statements were free from material misstatement and that once the audit report was finalized, his firm's opinion letter would be printed on letterhead.

Mr. Karrison went on to highlight various aspects of the Management's Discussion and Analysis. Mr. Karrison specifically pointed out that the Commission's cash position increased \$12.1MM from FYE2010 and that its net assets were around \$323MM, all as reflected on MD&A page 2. He stated that the changes in net assets were \$1.057MM higher as reflected on MD&A page 4. Finally, Mr. Karrison explained that at the end of FYE2011, the Commission had \$142MM in outstanding bonded debt versus \$124MM at the end of the 2010 fiscal year as reflected on MD&A page 6.

Commissioner Suess then asked whether there were any questions about the audit from the Commissioners. Commissioner Furstenau questioned the 4% projected salary increases used by the Illinois Municipal Retirement Fund (IMRF) in determining required employer contributions as discussed on page 23, in the second paragraph, under the section titled Defined Benefit Pension Plan. Mr. Karrison explained that the IMRF established each participating employer's required contribution rate based upon IMRF's own independent actuarial analysis and that the Commission had met the required contribution amount but was not fully funded. Manager of Water Operations McGhee added that the 4% salary increase was an IMRF projection only and that the Commission did not have to follow that projection. The discussion concluded with Mr. Karrison noting that the IMRF projection was state-wide and not local.

There being no further questions on the audit, and noting the need to ratify action taken at the last meeting, Commissioner Suess moved to suspend the purchasing procedures of the Commission's By-Laws and authorize the General Manager to enter into an electric power supply agreement that commences upon the expiration of the

Minutes of the 8/18/11 Meeting

Commission's current supply agreement, subject to negotiation of acceptable terms, better than current pricing, and a length of service not to exceed 24 months. Seconded by Commissioner Furstenau and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: J. Pruyn, D. Russo, F. Saverino, and M. Scheck

Commissioner Suess moved to accept the draft audit report for the fiscal year ending April 30, 2011, to direct the auditors to print the final report, and to direct staff to distribute the FY2011 audit report to the Commission's customers and other interested parties. Seconded by Commissioner Murphy and approved by a Voice Vote.

All voted aye. Motion carried.

Administration Committee – Reported by Commissioner Crawford

Commissioner Crawford reported that the Administration Committee continued its discussion regarding the possibility of going paperless for future Board meetings, noting that staff will continue to send Federal Express packages for Board materials until directed otherwise. She added that for the next Board meeting, staff will also be e-mailing hyperlinks to bookmarked meeting materials located on the Commission's public website (with PDF attachments of any confidential materials) and that Commissioners could opt out of receiving paper materials. Commissioner Crawford concluded her report by noting that staff is in the process of reviewing the Commission By-Laws for recommended changes.

Engineering & Construction Committee – Reported by Commissioner Loftus

Commissioner Loftus reported that even though the Engineering & Construction Committee did not have a quorum, the members present discussed the items on the Engineering & Construction Committee Agenda.

Commissioner Loftus moved to combine and adopt item numbers 2 through 6 under the Engineering & Construction Report section of the Agenda in a single group pursuant to the Omnibus Vote Procedures. Seconded by Commissioner Murphy and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: J. Pruyn, D. Russo, F. Saverino, and M. Scheck

ACCOUNTS PAYABLE

Commissioner Suess moved to combine and approve the Accounts Payable in the amounts of \$6,148,267.59 and \$893,600.00, subject to submission of all contractually required documentation, for invoices that have been received and for invoices that have not yet been received but have been estimated. Seconded by Commissioner Murphy and unanimously approved by a Roll Call Vote:

Ayes: L. Crawford, T. Cullerton, R. Furstenau, C. Janc, D. Loftus, W. Murphy, P. Suess, J. B. Webb, and J. Zay

Nays: None

Absent: J. Pruyn, D. Russo, F. Saverino, and M. Scheck

CHAIRMAN'S REPORT

Chairman Zay stated that there were rumors about the City of Chicago increasing water rates this coming January 1. Chairman Zay added that he believes the Commission needs to raise its water rates at the same time and that he would like to open the topic for discussion.

Commissioner Cullerton commented that he thought that the Commission's May 1, 2011, 10% rate increase was approved partly in anticipation of the City's rate increase and partly due to other considerations. Chairman Zay responded that the Commission was losing money because it is still selling water for less than it costs the Commission to buy it from the City after water losses. Commissioner Cullerton reiterated his belief that part of the last Commission rate increase was intended to cover a portion of the City's future rate increase and was probably reflected in the minutes from that meeting. Commissioner Janc shared his recollection that the May 1, 2011, 10% rate increase was intended to cover operating expenses, the future loss of tax receipts, as well as to absorb a portion of any Chicago rate increase.

Commissioner Furstenau reminded the Commissioners that there was going to be a need for a number of rate increases before 2016 because the Commission's sales tax authority would be eliminated at that time. He added that the Commission needed to raise rates every time the City did and that the municipalities should be provided with a 30 day written notice prior to any water rate increase.

Commissioner Suess suggested extending a one-time courtesy to Commission customers and forego raising the Commission's water rate until May 1, 2012, because the fiscal year of most of the Commission's customers starts then, while at the same time clearly advising them that, in the future, the Commission would be raising its water rates as and when the City raised City water rates. Commissioner Furstenau added that customers also need to be reminded that the Commission needs to pay down its debt as well as replace the loss of approximately \$30MM in annual sales tax revenue in 2016.

Minutes of the 8/18/11 Meeting

Chairman Zay stated that delaying rate increases just delays the Commission's ability to reduce its debt. Chairman Zay added that he would rather have the increase effective January 1, while consumption is at a low, instead of May 1. In response, Commissioner Suess reiterated his suggestion for a one-time one to five month delay (depending upon when Chicago next raises its rates), that could be accounted for in the Commission's next regularly scheduled May 1, 2012 rate increase.

Chairman Zay asked Staff Attorney Crowley how much time the Commission had to notify customers about rate increases. Staff Attorney Crowley responded that the Commission must give at least 21 days advance notice to customers.

Chairman Zay noted that the last rate increase from the City was under a three-year plan of 15, 15, and 14 percent increases and, therefore, requested that the Commission discuss a five-year rate plan once the City makes a decision on their upcoming rate increase. General Manager Spatz advised that he would inform the Commissioners of the City's plans as soon as staff learns what they were.

Commissioner Furstenau asked General Manager Spatz when a City rate increase would become effective. General Manager Spatz stated that it varied in the past but rate increases were generally effective around the fiscal year. General Manager Spatz added that in late September or early October the Commission should have a good understanding of the City's plans in relation to rate increases and that by the end of October, the Commission should know if it will be a multi-year increase.

OMNIBUS VOTE REQUIRING MAJORITY VOTE

None

OMNIBUS VOTE REQUIRING SUPER-MAJORITY OR SPECIAL MAJORITY VOTE

None

NEW BUSINESS

Chairman Zay asked if it was possible for the IT department to create Commission e-mail addresses for Commissioners so that the links for the Board materials could be sent to those e-mail addresses.

General Manager Spatz questioned whether Commissioner e-mail addresses would raise Open Meeting Act concerns. Staff Attorney Crowley responded that Open Meeting Act concerns would be the same regardless of whether Commissioners used their personal e-mail accounts or Commission e-mail accounts to communicate with each other. Staff Attorney Crowley also recollected that Commissioners previously requested, and were given, e-mail addresses with the @dpwc.org extension. Commissioner Murphy agreed, stating that he had used his @dpwc.org e-mail address in the past. Chairman Zay asked if staff could send the Commissioners information about utilizing their @dpwc.org e-mail addresses.

Minutes of the 8/18/11 Meeting

Commissioner Cullerton revisited the topic of the Commission's sales tax and inquired if it was possible to ask for the Village Managers' thoughts on keeping the Commission's sales tax. He added that while the Chambers of Commerce may not want to keep the Commission's sales tax, the Villages may desire otherwise, especially if the alternative is significant water rate increases. Chairman Zay stated that this might be something that the DuPage Mayors and Managers Conference could look into and that the Commission should remain neutral. Commissioner Murphy agreed that the DuPage Mayors and Managers Conference could play a role in the discussion but that the Commission's Finance or Administration Committee should also consider the topic because Commission customers may have goals and desires different from the Commission.

Commissioner Furstenau stated that he understood everyone's view but that he suspected the County would not permit the Commission to retain its sales tax authority and that most home rule communities would simply increase their own sales tax rate to offset water rate increases accordingly. Commissioner Cullerton responded that it was the non-home rule communities who would be most in need of the rate relief that keeping the Commission's sales tax would bring. Commissioner Furstenau replied that there would be winners and losers once the matter came to a close, and Chairman Zay noted that the Commission needed to plan on what would happen either way.

OLD BUSINESS

Chairman Zay reported that he had received a letter from the Village of Westchester requesting payment or a meeting regarding pavement settlement allegedly caused by the installation of the Commission's 72-inch water main. Chairman Zay also reported that General Manager Spatz and he were going to meet with the Village to determine see if there was any new information available on the matter, and Commissioner Furstenau reminded everyone that the last time the matter was discussed, the Village was directed to produce engineering support for its position that the installation of the Commission's main more than 20 years ago had been the cause of the pavement settlement. Chairman Zay stated that the amount of payment requested was around \$200,000-\$300,000.

At which point, General Manager Spatz reported that Downers Grove had made full payment to the Commission, and Naperville had received their check from the Commission.

EXECUTIVE SESSION

None

Commissioner Murphy moved to adjourn the meeting at 8:05 P.M. Seconded by Commissioner Furstenau and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

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