

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, MAY 21, 2015
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:07 P.M.

Committee members in attendance: P. Suess, R. Gans, D. Russo, and J. Zay (arrived at 6:09 P.M.)

Committee members absent: J. Pruyn

Non-Committee members in attendance: none

Also in attendance: J. Spatz, C. Peterson, D. Ellsworth, and a Representative from PFM

Minutes

Commissioner Gans moved to approve the Minutes of the Regular Committee Meeting of April 16, 2015 of the Finance Committee. Seconded by Commissioner Russo 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 month of April 2015.

Treasurer's Report – April 2015

Treasurer Ellsworth stated that he had provided the Committee with a written summary of the April Treasurer's Report. Cash and Investments were \$99.6M, up by \$2.2M from last month.

Treasurer Ellsworth discussed the detailed investment schedules, individual account balances and market yield. As the discussion moved to discussing the Supranationals in the portfolio last month, General Manager Spatz detailed that the Commission was able to get additional information from the State of Illinois Treasurer's office regarding categorizing Supranationals. Jeff Schroeder from PFM detailed that the Supranationals were sold during the month as they were in a gain position and additive to the portfolio. Mr. Schroeder noted that the investment will be adding them again to the portfolio in the future when available and beneficial to the Commission's portfolio.

Commissioner Gans asked that in the future new types of investments to the Commission be brought before the Finance Committee before PFM purchases them for the Commission. Chairman Suess agreed with Commissioner Gans request and asked that PFM provide some detail as to the new types of investments that PFM is considering at the next investment update. Commissioner Russo asked if political changes can affect the United States involvement with the banks listed as Supranationals. Mr. Schroeder noted that while that may be a possibility, the chance is slim. General Manager Spatz noted that the U.S. involvement in these banks is based upon an act of Congress and it would take a similar act to change that position.

Treasurer Ellsworth continued his report stating that over the past year, cash and investments increased by a total of \$29.6 million. Market yield on the portfolio was at 81 basis points, up from the prior month. The Commission ended the year with unrealized gains of \$215,000 compared to unrealized losses at the prior year end of approximately \$47,000.

Treasurer Ellsworth noted that on the Statement of Cash Flows shows the breakdown of the \$29.6M increase year-to-date. He stated that all targeted reserve levels were met or exceeded targets. He noted the significant excess funds in some of the reserve accounts was due to the transfer done in April to meet fiscal year 2015/2016 targeted balances.

Financial Statements – April 2015

Financial Administrator Peterson provided the Committee with a summary of the April Financial Statements. She noted that for the just ended fiscal year, revenues exceeded expenses ahead of budgeted seasonal expectations, even as water sales were below budget by approximately 1%. An offset is water purchases were approximately 2.5% below budgeted seasonal expectations.

Sales Tax collections were higher than prior year revenue amounts by approximately 9.6% in April. Cumulatively Sales Tax collections as of April 30, 2015, were approximately \$1.8M 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 over \$29M. Receivables were slightly higher compared to prior year due to higher water costs. Debt has declined by \$21M compared to prior year balances at April 30th.

Financial Administrator Peterson noted that other than the year-end entry to record the unrealized gain of \$215,000 in the investment income account, there was no unusual activity or significant variances to discuss.

O-4-15

General Manager Spatz described how the same percentages used the last 2 years in determining the Appropriation Budget compared to the Management Budget were used this year. He reiterated that Commission staff is bound by the Management Budget passed in April and the Appropriation Budget gives the Board and Commission the legal authority to spend all the money. General Manager Spatz reviewed how the Appropriation Budget has changed over the past few years to simplify the process, allowing the Board and Commission to be able to react quicker should an emergency occur.

Commissioner Russo moved to recommend to the Board an Ordinance Approving and Adopting an Annual Budget and Appropriation Ordinance for the Fiscal Year Commencing May 1, 2015 and Ending April 30, 2016. Seconded by Chairman Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

R-16-15

General Spatz noted that in addition to the changes in the first read; PFM had one other edit. The original edits were as follows: 1) Adding language to limit Supranational investments to 5% of total portfolio (Section 7.0, b); 2) Extend the ability to invest in Commercial Paper to 270 days from 210 (Section 7.0, d); 3) Edited language regarding Bond Ordinances to delete references to a specific ordinance and enter language for any ordinances outstanding (Section 8.0). The additional edit from PFM was to add language to invest in Mortgage-backed securities based upon weighted average life of 5 years, rather than the final maturity (Section 3.2).

Mr. Schroeder reviewed the reasons for the suggested changes. Chairman Suess asked if limiting the Supranationals to 5% would be difficult for PFM, Mr. Schroeder responded no due the limited amount of Supranationals in the market.

Chairman Zay asked staff to email a red-line version with the additional PFM recommended changes to the Board as soon as possible.

John Spatz left the meeting at 6:35 P.M.

Investment Review

The detailed investment review was delayed until the end of the next quarter. Mr. Schroeder did detail how some of the longer-term investments and interest rates have been affecting the portfolio.

Accounts Payable

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

April 8, 2015 to May 11, 2015	\$7,906,833.94
<u>Estimated</u>	<u>\$1,086,325.00</u>
Total	\$8,993,158.94

Discussion of the Treasurer's Search

It was discussed that Treasurer Ellsworth had given the Board notice that he was resigning from the Treasurer position after the June 2015 meeting. The Committee discussed how to begin the search for a successor. Chairman Zay recommended sending out a notice to the mayors and managers of our customers and posting a notice on the Commission's website.

Chairman Zay also asked Commission staff to put together the documents needed to assign a temporary Treasurer while the Commission searches for a permanent replacement. He discussed the possibility of asking Commissioner Pruyn to fill that role again as he did back in 2011.

Other

None

Adjournment

Commissioner Russo moved to adjourn the meeting at 6:49 P.M. Seconded by Commissioner Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.