

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, MARCH 17, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 5:50 P.M.

Committee members in attendance: P. Suess, C. Janc, J. Pruyn, and J. Zay *ex officio*.

Committee members absent: D. Russo

Also in attendance: R. Furstenau, T. McGhee, R. Skiba, and J. Nesbitt.

APPROVAL OF MINUTES

A motion was made by Commissioner Janc and seconded by Commissioner Pruyn to approve the minutes of February 11, 2010 Finance Committee meeting. The motion carried unanimously.

A motion was made by Commissioner Pruyn and seconded by Commissioner Janc to approve the minutes of January 31, 2011 Finance Committee meeting. The motion carried unanimously.

A motion was made by Commissioner Janc and seconded by Commissioner Pruyn to approve the minutes of February 10, 2011 Finance Committee meeting. The motion carried unanimously.

APPROVAL OF RECONCILIATIONS

Former Financial Administrator Skiba stated that the new statute directs that the bank reconciliations must be reviewed by the finance committee and the treasurer. He stated that staff was looking for direction with how to proceed with reviewing the reconciliations.

Among the topics discussed pursuant to bank reconciliations were:

- This would be a job for the treasurer but the finance committee will have to approve the reconciliations.
- Baker Tilly will be able help with the reconciliations, if hired.
- The documents in the reconciliations have cash balances and are not individually broken up.

Chairman Zay entered the meeting at 6:05 P.M.

After the above items were discussed, it was decided that all of the documents in the reconciliations except for the cancelled checks will be sent to the finance committee. Future reconciliations will be summarized and sent to the finance committee.

RETAIN FINANCIAL SERVICES PROVIDER

Acting General Manager McGhee distributed Baker Tilly's and Staff Attorney Crowley's versions of the proposed agreements. He stated that Staff Attorney Crowley and Baker Tilly's attorneys are working together to create an agreement that was acceptable for both sides. He stated that staff is looking for direction on whether to accept Baker Tilly as the Financial Services Provider and then finalize the agreement at the Commission meeting or wait until the agreement is finalized and select Baker Tilly next month.

Board Chairman Zay inquired about Baker Tilly's monthly rate. Acting General Manager McGhee stated that the monthly rate is \$23,472 but that the month-to-month rate may vary and will depend on specific monthly tasks. He stated that there is a not-to-exceed annual amount.

Committee Chairman Suess stated that Baker Tilly also allotted time within the \$23,472 for additional project work. Commissioner Pruyn stated that if there are special projects then there would be an additional amount. Acting General Manager McGhee stated that Baker Tilly is allotting 267 hours for special projects. Committee Chairman Suess stated that if a rate study was completed by Baker Tilly then the hours of work would be taken from the allotted 267 hours. Board Chairman Zay asked what experience Baker Tilly had with rate studies. Acting General Manager McGhee stated that Baker Tilly has done regional water rate studies.

Former Financial Administrator Skiba stated that the consensus of the finance committee would be to move forward with Baker Tilly as the Commission's Financial Services Provider subject to legal documentation.

EXTENSION/REFINANCING OF \$40MM CERTIFICATE OF DEBT ISSUED TO NORTHERN TRUST BANK

Acting General Manager McGhee stated that Northern Trust Bank is eager to do business with the Commission. He stated that Wheaton Bank and MB Bank could not handle the \$40MM loan separately but would be willing to partner. He stated that a treasurer needs to be selected before the note can be signed.

Commissioner Janc asked if Acting General Manager McGhee contacted Wells Fargo Bank. Committee Chairman Suess also inquired if Acting General Manager McGhee has contacted Bank of America and Citi Corp Bank. Acting General Manager McGhee responded that he does not have a contact person at Wells Fargo Bank or Citi Corp Bank but has contacted Bank of America and has not received a call back to date.

Commissioner Janc asked if the treasurer needs to sign the loan or can the Commission designate the seller as the Board Chairman. Acting General Manager McGhee stated that he was not certain if the Commission can do this. Board Chairman Zay stated that at the Commission meeting he would inquire if the other Commissioners would like to submit anyone else for the position of treasurer and that he would like to select a treasurer next month.

Commissioner Janc inquired if staff could ask Northern Trust Bank for an extension. Committee Chairman Suess asked what the rate would be if Northern Trust Bank accepted an extension. Former Financial Administrator Skiba stated that it would be 4%.

Commissioner Furstenau left the meeting at 6:25 P.M.

Board Chairman Zay inquired why Former Treasurer Zielenga added the clause in the contract about paying the loan back within sixty days. Former Financial Administrator Skiba was not aware of the reason. He also stated that the Commission GO bond was downgraded and he did not understand why.

Commissioner Janc stated that staff should look into acquiring up to a sixty day extension from Northern Trust Bank. He also stated that the Commission should acquire a one year short term note and try to do something longer term because of rates increasing. He stated that now is a good time to lock into something long term.

Former Financial Administrator Skiba stated that West Suburban Bank has no required principal payment in the certificate of debt. He stated that the Commission's goal should be to lock in a deal with Northern Trust through May 1 of next year. He also stated that the Commission could find a bond advisor and extend the certificate of debt to a ten year note.

Commissioner Janc stated that obtaining a bond advisor sooner than later would be a good idea because the Buy America program is coming to an end soon. Commissioner Pruyne asked if anyone knew of a bond advisor. Board Chairman Zay inquired about Phil Peloquin for a bond advisor for the Commission. Acting General Manager McGhee stated that he would not recommend him since he is based in New York and he felt that the Commission did not get their money's worth from him the last time he worked for the Commission. He suggested Spear Financial or Ron Noreen for the position. Commissioner Pruyne suggested Ellers from Chicago. Former Financial Administrator Skiba suggested Kathy Thomas Consulting LLC., a small company, and stated that the Commission should find someone not interested in selling bonds. Commissioner Janc suggested PFM Philadelphia and Market Advisors, but also stated that the Commission might be too small for them.

Committee Chairman Suess stated that first staff should look into acquiring an extension from Northern Trust Bank; second, staff will look into extending our loan with Northern Trust Bank; and third, staff will explore bond advisors to examine longer term issues.

Board Chairman Zay left the meeting at 6:45 P.M.

TREASURER'S REPORT

Former Financial Administrator Skiba stated that the Commission has received the full amount of sales tax budgeted for water operations. This means that \$2.1 million received in excess of the operations budget was deposited to the unrestricted Sales Tax Sub-account of the General Account in February.

He also stated that the account receivable has decreased since last month. He also stated that the Commission has a positive cash flow. He went on to state that the Commission has met the requirements in the contingency account as well as the operation and maintenance account, which has twice the amount required. He also stated that Report C shows that there is \$1.2MM in the construction account.

FINANCIAL STATEMENTS

Former Financial Administrator Skiba referred to the graph in the Engineering and Construction Materials stating that the graph shows that demand during the winter months remains virtually unchanged and as a consequence the water sales are relatively flat. He

went on to state that water sales during the summer months vary and beginning around October; he will have a better idea of yearly water sales.

Former Financial Administrator Skiba stated that last fiscal year's sales tax budget was increased by 1% over the prior fiscal year's actual. Through February, sales tax collections were 6.4% more. The FY 2011-12 sales tax budget calls for a 2% increase over the FY 2010-11 estimated actual. Commissioner Pruyn inquired if the \$1.4MM excess in the general account needs to remain in that account. Former Financial Administrator Skiba stated that once the money is in the general account it is as free as sales tax. He stated that the year-to-date balance sheet is consolidated into three categories. He also stated that the summary of compliance is in Moody's report. Commissioner Janc asked if Former Financial Administrator Skiba could e-mail the finance committee what the Commission is rated by Moody, Fitch, and S&P.

APPROPRIATIONS TRANSFER

Former Financial Administrator Skiba stated that the reason these appropriation transfers need to be done every month is because the former board chose to have an appropriations only budget. He also stated that after this budget is finished then the Board can decide to go a different way.

Commissioner Pruyn asked if appropriation transfers could be done every six months. Former Financial Administrator Skiba responded that it could be done in October and March.

Committee Chairman Suess asked where the money was coming from with each appropriation. Former Financial Administrator Skiba stated that the money is only being shifted, for example \$384,000 is moving from pension to electricity. Committee Chairman Suess stated that this can be discussed at a future meeting.

ACCOUNTS PAYABLE

Former Financial Administrator Skiba stated that there will be two separate motions at the Commission meeting. He stated that one of the motions is for JJ Henderson's retention reduction from 10% to 2% to make the payment and the other will be for the rest of the Accounts Payable.

OTHER

Acting General Manager McGhee stated that two representatives from the DuPage County met with the Commission with Former Financial Administrator Skiba and himself to discuss their Buy-in payments to the Commission. The representatives were informed that Former Financial Administrator Richter miscalculated the county's payment schedule and that the county's payments are less than what is in the contract. He stated that the county's principal payment is correct but their interest payment is not.

Commissioner Janc asked how long the county has been making incorrect payments. Former Financial Administrator Skiba stated that the county has been making incorrect payments since 2006. He also stated that their interest payment will increase by \$4,000 per month. Acting General Manager McGhee stated that the county signed the contract and the payment schedule was not part of the contract.

Committee Chairman Suess asked if there was any new information about the Downers Grove repayment. Acting General Manager McGhee stated that he talks to the Village Manager on a monthly basis. Committee Chairman Suess then asked if they understand that they need to make a full payment to the Commission in June. Acting General Manager McGhee replied in the affirmative.

BUDGET

Acting General Manager McGhee stated that a copy of the draft budget was sent to John Spatz for his input. He stated that the Commission doesn't have many options as far as changing the budget since only 8% of the budget can be altered.

Commissioner Pruyn asked what the proposed rate increase was in the draft budget. Acting General Manager McGhee stated that the rate increase is 10%. He also stated that on March 1st the draft budget was sent to the customers and there were not a lot of questions from them.

Committee Chairman Suess stated that he feels comfortable with the 10% rate increase because by May 1st everyone knows that the rate will be increasing. Acting General Manager McGhee stated that Board Chairman Zay stated that he wants the Commission to run off of rates like a true utility. The Commission will look into raising rates 4% or 6% annually to cover the loss of future sale tax revenue. He stated that if the Commission performs a rate study, this information could be used to make a better decision.

Committee Chairman Suess inquired if a special meeting was necessary to review the budget. Acting General Manager McGhee responded that a special meeting would be necessary to go over the budget depending Commissioner and General Manager input.

ADJOURNMENT

The meeting was adjourned at 7:35 P.M.