

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, OCTOBER 20, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:00 P.M.

Committee members in attendance: C. Janc (arrived at 6:20 P.M.), J. Pruyn, D. Russo, P. Suess, and J. Zay (*ex officio*)

Committee members absent:

Also in attendance: J. Spatz, T. McGhee, J. Nesbitt, N. Narducci, S. Lux of Baker Tilly, and M. Nugent of Nugent Consulting.

Minutes

Commissioner Pruyn moved to approve the Minutes of the September 15, 2011 Finance Committee meeting as presented. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

Approval of Reconciliations

Treasurer Narducci noted that the reconciliations were approved.

Financial Statements – August 2011

Mr. Lux provided the Committee with a summary of the September Financial Statements.

Treasurer's Report – August 2011

Mr. Lux provided the Committee with a summary of the September Treasurer's Report.

Committee Chairman Suess asked if the budgeted sales tax amount increased from last year. Manager of Operations McGhee responded that it did by 1%.

Commissioner Pruyn asked why the Financial Statements stated that water billing receivables at September month end were \$7.5MM and the Income Statement reflected water revenues were \$5.7MM. Mr. Lux responded that he would need to look into this issue.

Discussion of Financial Administrator

General Manager Spatz stated that he and Mr. Lux made comments and changed items on job qualifications for this position. After some discussion, it was decided among the

committee members that General Manager Spatz would e-mail this draft to the committee members early the following week.

Property and Liability Insurance

Mr. Nugent stated that his firm issued a coverage insurance request for proposal to Marsh and Gallagher. He stated that Marsh was \$25,000 less than Gallagher. He added that the results were surprising and he was pleased with the outcome. He referred to the 2011 Renewal Cost Comparison included in the main meeting packet and stated that this is summarized and a dash in the table means it is covered under another line.

Commissioner Pruyn asked to explain the crime detail line. General Manager Spatz responded that the crime line has been increased and the Treasurer was also added so there is no need for an insurance bond for him. He added that \$100,000 was budgeted for the treasurer bond so this is a much more inexpensive way to obtain coverage and the Commission can save on insurance.

Workers' Compensation and Employer's Liability Insurance

Mr. Nugent stated that the Workers' Compensation liability insurance is not ready for renewal at this time. Board Chairman Zay asked if the Commission should cover small injuries such as cuts, bumps, and bruises. Mr. Nugent replied that the amount of these injuries is negligible.

Election of Interest Period under Northern Trust Certificate of Debt

General Manager Spatz stated that the three month Libor will end at the end of the month. He stated that a one month Libor will be hard to coordinate with the board meetings. He recommended staying with the three month Libor but the rate would increase from 1.77% to 1.90%. He added that there is a historical bump around this time of year and that it may go back down again in the future.

Board Chairman Zay stated that if the increased rate continues, staff should look into locking in a long term rate. General Manager Spatz stated that the long term rate is 2.5%.

Committee Chairman Suess stated that he did not have a problem with another three month Libor and that the rate usually moves around near year end. The committee members were in agreement with locking in another three month Libor.

Northern Trust/West Suburban Bank Prepayment(s)

General Manager Spatz stated that Board Chairman Zay would like to hold a special meeting for discussing water rates and the payment of the \$13MM loan this year depends on the water rates. He added that he would recommend waiting on for the special meeting to discuss the prepayments. Commissioner Russo agreed with General Manager Spatz's statement.

At this time, Commissioner Janc entered the meeting and General Manager Spatz reviewed the three month Libor renewal. Commissioner Janc agreed with locking in the three month Libor amount.

Discussion Items

General Manager Spatz stated that staff has signed a two year contract with Exelon that will begin in May 2012. He stated that instead of the Commission paying 5.308¢/kw it will pay 4.627¢. He added that the Commission will be saving \$280,000 per year with this new price based on current consumption.

At this time, Mr. Lux responded to Commissioner Pruyn's question regarding the differences between the water billing receivables amounts on the Financial Statements and the Treasurer's Report. Mr. Lux stated that receivables are due October 10, and as of September 30 not all of the customers had paid their bill yet. General Manager Spatz stated that most customers wait until almost the last day to submit their payment.

At this time, Treasurer Narducci reported on his current projects. He covered the Commission's portfolio, by-laws, credit union CDs, sweep accounts, and automating the Commission's banking system.

General Manager Spatz stated that he, Treasurer Narducci, and Mr. Lux had met with three different banking and investment firms to interview a potential banking advisor. He stated that he did not give a deadline for the banks to hand in their proposals.

Treasurer Narducci stated that he and Maureen should look at the qualifications and the Commission's investment policy and get this tied up before the permanent Financial Administrator is chosen so they won't have to develop this. General Manager Spatz stated that he asked the firms to comment on our investment policy as well. Commissioner Pruyn asked if the Commission's reserve accounts are subject to the Illinois Public Funds Act. Mr. Lux responded in the affirmative as well as the Revenue Bond Ordinance and added that the financial auditors mentioned in their report to revamp the investment policy.

Committee Chairman Suess asked when staff looks at the investment approach if they are looking at buying securities directly or buying units. Mr. Lux responded that staff is looking into buying specific investments subject to liquidity and will hold until a specified date when the bonds are paid off and it is also subject to the market value. Treasurer Narducci stated that if investments were done on the pension side rather than the operating side there would be some restrictions.

Committee Chairman Suess stated that he brought this up because there is a fund issue with diversification versus buying securities. He added that the level of diversification might be beneficial to the Commission. Mr. Lux stated that the Money Market Fund has no principal risk.

Committee Chairman Suess then asked if all the proposals from the banking and investment firms were submitted. General Manager Spatz stated that he is waiting on

one additional proposal. He added that once he obtains all of them, he will meet with Treasurer Narducci and Mr. Lux to come up with a recommendation and then submit it to the Finance Committee.

Accounts Payable

Mr. Lux presented the Accounts Payable to the committee members.

September 9, 2011 – October 12, 2011	\$5,114,194.45
<u>Estimated</u>	<u>\$1,672,870.00</u>
Total	\$6,787,064.45

Other

Committee Chairman Suess asked about an updated project list from Baker Tilly. Mr. Lux then handed out a status sheet with projects that he was working on.

General Manager Spatz stated that at the main meeting water rates would be talked about briefly. He stated that he had a rate discussion with most of the commissioners. He added that over the next four years there could be possible rate increases and the Commission needs to make sure that the customers know the rate amount so they have enough time to properly budget.

Commissioner Pruyn asked if the finance committee should meet before the next Commission meeting so the finance committee can bring forward a recommendation on the rates to the Commission meeting. General Manager Spatz stated that there will be a Committee of the Whole Meeting before the next Commission meeting. Commissioner Russo stated that he believes there is a consensus among the finance committee to have the finance committee present a recommendation to the Commission meeting. General Manager Spatz suggested that the finance committee could meet before the Committee of the Whole.

Manager of Operations McGhee stated that it would be great to come out of a special meeting with a rate since a public hearing needs to be held. Commissioner Russo agreed that it would give the customers more time to plan. General Manager Spatz stated that once a water rate is set, the Commission cannot raise it without another public hearing but it can be lowered without a public meeting.

After some discussion, it was decided that the finance committee would meet on October 27, 2011 at 6:00 P.M.

Adjournment

Commissioner Pruyn moved to adjourn the meeting at 7:00P.M. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.