

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, MAY 13, 2010
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 6:02 P.M.

Commissioners in attendance: E. Chaplin, T. Elliott (arrived at 6:05 P.M.), R. Furstenau (via teleconference), L. Hartwig (arrived at 6:23 P.M.), W. Maio, G. Mathews, W. Mueller, W. Murphy, F. Saverino, J. Zay (arrived at 6:07 P.M.), D. Zeilenga, and L. Rathje

Commissioners Absent: T. Bennington

Also in attendance: T. McGhee, R. Skiba, M. Crowley, C. Johnson, R. C. Bostick, F. Frelka, J. Schori, J. Nesbitt, E. Kazmierczak, T. McGree (Chapman and Cutler) and P. Peloquin (Public Sector Group)

APPROVAL OF MINUTES

Commissioner Murphy moved to approve the Minutes of the March 11, 2010 Special Committee of the Whole Meeting of the DuPage Water Commission. Seconded by Commissioner Chaplin and approved by a Voice Vote.

All voted aye except Commissioners Furstenau and Maio abstained. Motion carried.

RECOMMENDATIONS FROM AD HOC COMMITTEE

Commissioner Murphy reported that the Ad Hoc Committee reviewed the recommendations from both Jenner & Block and staff and stated that staff's recommendations were appropriate but suggested that the members of the Finance Committee also develop recommendations.

Commissioner Elliott arrived at the meeting at 6:05 P.M.

JOB DESCRIPTION AND SELECTION PROCESS FOR FINANCIAL ADMINISTRATOR

Commissioner Mathews reminded the Commissioners that, in February, he circulated a revised job description for the Financial Administrator, adding that has yet to receive any comments or suggested changes to the revised draft.

Commissioner Murphy noted that that the Board needs to focus on, and begin the selection process for, the General Manager position.

Commissioner Zay arrived at the meeting at 6:07 P.M.

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STATUS OF THE \$40,000,000.00 SHORT-TERM FINANCING

Treasurer/Commissioner Zeilenga advised that he had been in contact with Tim McGree (Chapman and Cutler) and Phillip Peloquin (Public Sector Group) and together they had been working with Northern Trust Bank to purchase an unsecured, one-year Certificate of Debt to be issued by the Commission in the amount of \$40MM. Treasurer/Commissioner Zeilenga specifically highlighted that pursuant to the terms negotiated with Northern, the 2.5% interest rate would increase by 150 basis points to 4.0% in the event the rating agencies downgraded the Commission's bonds, and that the 2.5% fixed interest rate was slightly higher than initially quoted in exchange for the optional flexibility to prepay the Certificate of Debt, in whole or in part, at any time after November 1, 2010.

Commissioner Zay questioned why the Bank would loan the Commission such a significant amount when the Commission is slated to lose its sales tax authority in 2016 and has a one-year \$30MM Certificate of Debt already outstanding. Mr. Peloquin responded that the Bank was satisfied with the direction the Commission was heading, and especially with the 21% rate increase.

In response to various questions from Commissioners, Treasurer/Commissioner Zeilenga advised that the full \$40MM was needed as evidenced by the colorful chart included as part of the April 2010 Treasurer's Report. Treasurer/Commissioner Zeilenga further advised that borrowing the full \$40MM would enable the Commission to replenish its reserves faster. Treasurer/Commissioner Zeilenga also reassured the Commissioners that on the off chance the need for \$40MM turned out to be overstated, then the Commission could always use any surplus generated by the borrowing to prepay, in whole or in part, the \$40MM Certificate of Debt and/or the \$30MM Certificate of Debt. As for contacting other banks, Treasurer/Commissioner Zeilenga noted that various banks were contacted, but unfortunately were unable to accommodate the Commission's needs.

With regard to questions concerning the effective date of any interest rate increase, Staff Attorney Crowley noted that should the rating agencies downgrade the Commission's bonds, the interest rate would change effective as of the date of the downgrade. In response to which, Commissioner Mathews questioned whether borrowing the \$40MM would trigger a downgrade. Mr. Peloquin and Commissioner Zeilenga both thought not and stated that not borrowing the \$40MM would more likely result in a downgrade.

Commissioner Maio concluded the discussion by noting that it was important for the Commission to proceed with the borrowing to show the Commission's customers, the Illinois legislature, the DuPage County Board, and the rating agencies that the Commission is cognizant of its financial problems and has a plan to address them, at which point Commissioner Hartwig arrived at the meeting at 6:23 P.M.

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REVIEW OF APRIL 30, 2010 UNAUDITED FINANCIAL REPORT

Former Financial Administrator Skiba referred to the Financial Report and highlighted the following:

- Water sales to Commission customers for April were 26.9 million gallons (1.3%) more than April 2009. Fiscal year 2010 water sales were 1.2 billion gallons (4.2%) less than fiscal year 2009.
- On April 15, 2010, the Commission directed that until an additional debt certificate is issued or higher cash receipts from new water rates begin in July 2010, contingency funds and sales tax receipts will be used to support water operations. At April 30, 2010, the remaining \$2.2 million of contingency funds and \$0.6 million of sales tax receipts were transferred to the Water Fund for this purpose.
- As a result of these \$2.8 million transfers, the Operations and Maintenance Account is fully funded as of April 30, 2010. The Operations and Maintenance Reserve and Depreciation Account remain at net zero balances.
- The uncommitted Sales Tax balance at April 30, 2010 was \$6.2 million.
- April sales tax collections (January sales) were \$191,000 (8.8%) less than the same period last fiscal year. For the fiscal year 2009-10, sales tax collections were \$4.2 million (12.7%) less than last fiscal year.
- Billing adjustments made by the Commission's former financial administrator to DuPage County and City of Darien caused a cumulative \$425,000 under billing of fixed costs to all customers between May 1, 2008 and April 30, 2010. While this has the greatest affect on the City of Darien, all other Commission customers were under billed to some extent.

REVIEW OF PROPOSED FISCAL YEAR 2010-11 ANNUAL APPROPRIATION ORDINANCE

Former Financial Administrator Skiba presented the proposed methodology for the appropriation ordinance, which was drafted in accordance with prior practice to appropriate 105% of budget for salaries, 125% of budget for operating expenses, and 200% of budget for all construction line items. The Commissioners expressed concerns with the proposed methodology, asking whether staff could exceed budget without Board approval.

Staff Attorney Crowley advised that the Commission's By-Laws already required all unbudgeted contracts and expenditures and all disbursements in excess of \$5,000 except payroll and payroll related disbursements to be approved in advance by the Board. Staff Attorney Crowley also noted, however, that she was unsure whether

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Requests for Board Action always indicated the budget status of the particular contract or expenditure or disbursement being approved.

As a result of which, the Commissioners discussed ways to assure that the Board would knowingly approve contracts or expenditures or disbursements that exceeded the amount budgeted therefor, including (a) amending the By-Laws to specifically require written advice of the budget status of each particular contract or expenditure or disbursement being approved; (b) directing staff to provide such written advice; or (c) as suggested by Commissioner Mathews, limiting the appropriation ordinance to 100% of budget, triggering a transfer of appropriation ordinance requirement whenever contracts or expenditures or disbursements exceeded the amount budgeted therefor.

After discussion had been exhausted, the Commissioners directed staff to recast the appropriation ordinance using 100% of budget for each line item except for the \$6,250 in Line Item Number 6232 and a \$3MM contingency.

Commissioner Elliott moved to adjourn the meeting at 7:05 P.M. Seconded by Commissioner Saverino and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

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