

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, AUGUST 12, 2010
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 6:30 P.M.

Commissioners in attendance: T. Bennington (arrived at 6:40 P.M.), T. Elliott, R. Furstenau, L. Hartwig, J. Loper, W. Maio, W. Mueller, W. Murphy, F. Saverino, P. Suess, and L. Rathje

Commissioners Absent: J. Zay and D. Zeilenga

Also in attendance: R. Skiba, M. Crowley, C. Johnson, R. C. Bostick, J. Schori, J. Nesbitt, F. Frelka, and E. Kazmierczak

Chairman Rathje recognized the two newly appointed Commissioners and noted that they will be taking their Oath of Office during the Regular Commission Meeting.

APPROVAL OF MINUTES

After Commissioner Elliott noted a correction on Page 3, Paragraph 3, of the July 14, 2010 Committee of the Whole minutes so that the comment he made during the Engineering Report will be recorded as noting that the Commission does not have a contract with the laborers but only with the general contractors, Commissioner Furstenau moved to approve the Minutes of the July 14, 2010 Special Committee of the Whole Meeting of the DuPage Water Commission as revised. Seconded by Commissioner Murphy and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

RECOMMENDATIONS FROM AD HOC COMMITTEE

In an effort to bring the new Commissioners up to speed, Commissioner Murphy provided a brief summary of how the Ad Hoc Committee was formed and then referred to a handout recently provided to Commissioners Loper and Suess, and previously provided to the other Board members, entitled "Staff Responses (4/15/10)—Structural and Procedural Recommendations to Avoid Future Accounting Issues as Recommended by Jenner & Block," noting that most of the recommendations had been implemented with the exception of those the Board desired to have input from the new permanent General Manager and/or Financial Administrator before implementation. Commissioner Murphy concluded his remarks by noting that it was the consensus of the Board to focus first on hiring a General Manager and then have the new General Manager be part of the hiring process for a new Financial Administrator.

FINANCE REPORT

Former Financial Administrator Skiba reported that:

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- Commission net revenues were a negative \$1.9 million in the first fiscal quarter but, when the contractual construction grant to the City of Chicago was excluded (\$3.5 million), net revenues were a positive \$1.6 million.
- During July, \$5.2 million of debt certificate proceeds were used to fund on-going construction projects and water purchased from Chicago was paid from operating revenues with no adverse effect on required bond reserves.
- Water sales to Commission customers for July were 89.2 million gallons (3.1%) more than July 2009 and, through the first three months of the fiscal year, water sales were 2.4 million gallons (0.0%) less than the same period last fiscal year.
- July sales tax collections (April sales) were \$131,000 (5.7%) more than the same period last fiscal year, with the \$7.1 million year-to-date sales tax collections \$416,000 (6.3%) more than last fiscal year.
- The Operations and Maintenance Account was fully funded as of July 31, 2010, the Operations and Maintenance Reserve Account and the Depreciation Account were over funded, and an additional \$2.0 million was transferred to the General Account of the Water Fund for a balance of \$3.6 million.
- While the revenue bond account requirements have been met, the Water Fund had an unrestricted deficit of \$12.5 million due to the amount of debt certificate proceeds that had been used to fund operations.
- The uncommitted Sales Tax balance at July 31, 2010 was \$6.4 million.
- The remaining construction obligations for uncompleted work at July 31, 2010 were \$9.0 million.

Commissioner Bennington arrived at 6:40 P.M.

In referring to the Status of Operation Report, specifically the Water Sales Analysis, Commissioner Furstenau questioned the difference between water sales and water purchases. Former Financial Administrator Skiba stated that the Commission's total water rate is \$2.08/per 1,000 gallons, the cost from the City of Chicago is \$2.01/per 1,000 gallons, and that only the \$1.84 Operations and Maintenance portion of the Commission's total water rate is reflected in the report.

In response to questions raised by Commissioner Elliott, Former Financial Administrator Skiba noted certain errors in the Treasurer's Report that he would correct before the regular meeting.

Commissioner Furstenau noted his frustration with the Financial Reports saying that they were delivered on different dates, are located in different portions of the Board packet of materials, and they are not easy to follow. As such, Commissioner Furstenau

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requested that there be one stapled set of financial reports with sequential page numbering to assist Commissioners in following along with the Treasurer's and Former Financial Administrator Skiba's oral reports.

BUDGET REVIEW

Former Financial Administrator Skiba advised that Section 10.23 of the Revenue Bond Ordinance requires a quarterly budget review by the Commission, with variances between 15% favorable and 5% unfavorable to be addressed with rate and/or budget adjustments. At which point, Former Financial Administrator Skiba highlighted the following variances noted:

- The various elements of water revenue vary less than 5% from budget other than emergency water services and that item represents less than 0.1% of total water revenues.
- Sales tax and investment income are within required budgetary range.
- Other income relates to customer meter station construction and will match reimbursable construction costs so that this item not being within the required budgetary range is not indicative of a problem.
- Most expense item variations outside of the 15% favorable and 5% unfavorable range are not significant this early in the fiscal year, with the following exceptions noted and included in proposed Ordinance O-11-10:
 - Bond Issue Advisory Services (6232) and Bond Counsel (6252) for the \$40 million debt certificate which was issued after the start of FY2010-11 but not budgeted based on the assumption that this debt certificate would be issued in the prior fiscal year.
 - Special Legal Services (6253) for disclosure counsel which are presently not expected to exceed the annual budget.
 - Contractual Services (6290) for temporary employees continuing to fill vacancies in permanent employee staffing.
 - General Liability Insurance (6411) for premiums which were budgeted in error by being \$80,000 short because it ignored premium costs to be charged for November 2010 through April 2011.
 - Telephone (6514.01) due to an annual maintenance contract which was fully charged in the first fiscal quarter and is not presently expected to exceed the annual budget.
 - Pipeline Repairs (6631) which were budgeted based upon the history of utilization but four Quick Response repairs in first fiscal quarter necessary to

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protect public health and safety and the Commission's infrastructure cost \$127,000.

- Other Administrative Expense (6591) for background checks on construction contract employees working inside the Commission's facilities which are presently not expected to exceed the annual budget.
- General Obligation Bonds Interest (6721) for a ten month period which is not expected to exceed the annual budget.
- Construction and Construction Grants (7000's and 8000's) for projects that will be completed in less than a full fiscal year and proceed in a non-linear manner.

With respect to Pipeline Repairs (6631), and Quick Response Work Authorization Order No. 21 which appears in Resolution No. R-35-10 for approval, Commissioner Bennington directed the Acting General Manager to obtain reimbursement from the responsible party.

With respect to Repairs and Maintenance of Buildings (6560), and Purchase Order No. 12338 which appears on the regular meeting agenda for approval, Commissioner Furstenau questioned the need for that item.

ENGINEERING REPORT

Facilities Construction Supervisor/Safety Coordinator Bostick reviewed the Status of Operations Report, noting that the generator testing at the DuPage Pumping Station is going well and near completion. With regard to Contract PSC-4 Lexington Pump Station Electrical Generation/Variable Frequency Drives, Facilities Construction Supervisor/Safety Coordinator Bostick noted an oversight on ComEd's part in that the contract design did not include the necessary wiring work which specifically relates to the security fire alarm system. Facilities Construction Supervisor/Safety Coordinator Bostick then noted that ComEd would be submitting an itemized invoice for approximately \$22,515.00 for work performed which would be reviewed for approval at the September Board meeting.

Commissioner Elliott inquired about the progress of the various construction projects and the accuracy of the various completion dates, noting his desire to leave the new Board with as little in outstanding construction projects as possible. Facilities Construction Supervisor/Safety Coordinator Bostick assured the Board that the various projects are largely on track, with the Lexington Pumping Station projects at 82% completion and the DuPage Pumping Station project at 95% completion.

Commissioner Furstenau requested that percentage of completion be reported for the prior month, in addition to the current month, so that the Board could better monitor rate of progress.

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Chairman Rathje then confirmed with Staff Attorney Crowley that the Commission was utilizing sales tax proceeds in full compliance with the 1987 Revenue Bond ordinance.

In reference to legal fees, Commissioner Furstenau inquired whether the Labor Counsel could be used for general and routine personnel matters, in addition to handling the labor union matters, considering the very reasonable hourly rates. Staff Attorney Crowley confirmed that Labor Counsel services would be, and recently had been, used where possible.

Commissioner Murphy moved to adjourn the meeting at 7:12 P.M. Seconded by Commissioner Bennington and unanimously approved by a Voice Vote.

All voted aye. Motion carried.