

**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DUPAGE WATER COMMISSION  
HELD ON THURSDAY, JUNE 21, 2012  
600 EAST BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

The meeting was called to order at 6:20 P.M.

Committee members in attendance: J. Pruyn, D. Russo and J. Zay (*ex officio*)

Committee members absent: P. Suess and C. Janc

Also in attendance: J. Spatz, T. McGhee, N. Narducci (arrived at 6:42 P.M.), S. Lux of Baker Tilly, C. Peterson, J. Rodriguez and Representatives from PFM Asset Management LLC J. Schroeder and D. Nelson

**Minutes**

The Regular Committee Meeting of May 17, 2012 and the Executive Session Minutes of the May 17, 2012 Finance Committee Meeting were not approved since a quorum was not met.

**Approval of Reconciliations**

Financial Administrator Peterson noted that Treasurer Narducci signed off on the reconciliations.

**Treasurer's Report – May 2012**

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

Mr. Lux noted that the principal and interest payments were paid for the 2003 Revenue Bonds that were due on May 1 which amounted to \$12.7M of which \$11.1M was for principal.

He also noted that the O&M account increased by \$1.1M and the O&M reserve increased by \$2.2M due to the increase in the operating budget.

General Manager Spatz stated that \$4M was paid to West Suburban Bank in June and the amount owed has been reduced to \$15M.

**Financial Statements – May 2012**

Financial Administrator Peterson provided the Committee with a summary of the May Financial Statements.

Commissioner Russo asked how the water usage from year-end compared to the 2% decrease that was projected in the budget. General Manager Spatz responded that the

Commission closed out the year at -2.14%. Commissioner Russo asked how next year-end might look with the spring being hot. General Manager Spatz stated that it is too early to tell but it is good to start the year ahead.

Commissioner Pruyn asked why there aren't comparatives on the balance sheet. Financial Administrator Peterson responded that the fiscal year has not been closed out yet on the system to make certain there aren't any final entries from the auditors. Mr. Lux stated that next month the fiscal year will be closed out and the comparatives will be present on the balance sheet.

Commissioner Pruyn asked if the percentage of budget for operations salaries under personnel services were at 9% instead of 8% was because of the payouts from the union contract. General Manager Spatz stated that personnel services are at 9% because of how the Commission accrues certain items at the beginning of the year and that the balance will even out over the year.

### **Resolution R-20-12**

Financial Administrator Peterson stated that this resolution is for the removal of excess amounts over the required \$5M in the depreciation account since every month \$175,000 is added to this account. She added that staff is requesting that the board sweep out excess over the \$5M less one month's coverage of \$175,000. Mr. Lux noted that this resolution is consistent with the past at year-end.

Commissioner Russo asked how much would be removed. Mr. Lux responded that \$1.92M would be removed.

### **Update on the Legal Review of Financial Contracts**

General Manager Spatz stated the legal review of the financial contracts with Harris Bank has been finalized and the Commission has signed the contract with Harris Bank. He added that the Commission will have a compensating account which will have \$1.4M of the \$1.92M that was from the depreciation account which will cover Harris Bank's fees.

### **Election of Interest Period under Northern Trust Certificate of Debt**

Financial Administrator Peterson stated that the Libor rate for one month is 0.24% which has not changed since last month.

The committee members agreed to reset the interest period to one month.

At this time, General Manager Spatz left the meeting.

### **PFM Quarterly Update of Investment Portfolio**

Manager of Operations McGhee stated that Mr. Schroeder and Mr. Nelson from PFM Asset Management LLC were in attendance to give a brief presentation on the Commission's investment portfolios.

At this time, Manager of Operations McGhee left the meeting.

Mr. Schroeder and Mr. Nelson provided an overview of the Commission's investment portfolios; noting that since there were only three months of data at this time, the future quarterly updates will be more formal and show total return numbers instead of a benchmark.

Board Chairman Zay asked staff to make sure that the absent committee members each receive the presentation binder.

### **Discussion on List of Forensic Audit Action Items**

Mr. Lux stated that this list was handed out last month and he asked if any of the committee members had comments on the list.

Board Chairman Zay stated that besides finalizing the credit card and ethics policies, the Commission is doing everything that was asked in the forensic audit.

Commissioner Pruyn asked Financial Administrator Peterson if she had reviewed the list. Financial Administrator Peterson replied in the affirmative and added that she is in agreement with the list except for updating it to include that a Financial Administrator was hired. Commissioner Pruyn added that the list should also be updated to indicate May's date.

Mr. Lux asked the committee members what the next step would be with the document. Board Chairman Zay stated that the committee will make a recommendation to place it on file at the Commission.

### **Status of the 2012 Audit**

Financial Administrator Peterson stated that the audit has been completed, a draft copy will be presented to the Finance Committee in July and then the final copy will be presented to the board in August. She added that the audited net income was \$18.8M.

Financial Administrator Peterson also stated that in this year's audit three of four comments have been implemented from last year's audit with the fourth comment being greater use of the Incode system. She added that there is a management response in the audit that states that this will be worked on during this fiscal year. She further added that staff is going to analyze the cost effectiveness of the utility billing. Mr. Lux added that staff has been using this system more extensively than in the past and that staff is looking into utilizing the fixed asset module in the current fiscal year.

Commissioner Russo asked if staff has made a decision if this system will work for the Commission. Mr. Lux stated that the financial reports, income statements, and balance sheets are produced through the Incode system. He added that it is not a bad system and a step going forward would be to utilize it to create reports and, if that's not possible, to continue doing some processes on spreadsheets. Financial Administrator Peterson added that she has only been using the system for over a month and is still learning the system,

but the product support has been exceptional.

At this time, Treasurer Narducci arrived at the meeting.

### **Accounts Payable**

Financial Administrator Peterson presented the Accounts Payable to the committee members.

May 9, 2012 to June 8, 2012	\$ 6,653,947.55
<u>Estimated</u>	<u>\$ 1,053,548.00</u>
Total	\$ 7,707,495.55

### **Other**

Financial Administrator Peterson stated that she had copies of the appropriation budget if any of the committee members would like to view it and that the notice of a public hearing for the July meeting was published the prior week. She added that there was 105% increase in costs mostly for the personnel costs; 135% increase for the remaining expenses; the debt principal payments are included in the appropriation budget; \$50,000 was added for a bond issue for restructuring debt later in the year; and the state unemployment tax expense was increased by \$18,000 because of a significant increase in rates. She concluded that the budget will be brought forward as an ordinance for approval at the July meeting.

### **Adjournment**

The meeting concluded at 6:48 P.M.