



DuPage Water Commission

600 E. Butterfield Road, Elmhurst, IL 60126-4642
(630)834-0100 Fax: (630)834-0120

AGENDA

**FINANCE COMMITTEE
THURSDAY, JANUARY 9, 2003
6:30 P.M.**

**600 EAST BUTTERFIELD ROAD
ELMHURST, IL 60126**

- I. Roll Call
- II. Approval of Minutes of December
- III. Treasurer's Report – December, 2002
- IV. Financial Statements – December, 2002
- V. Accounts Payable
- VI. Insurance Coverages
- VII. Five-Year Capital Plan
 - Review Calculation of Indexing Costs
- VIII. Retention of Financial Advisor
- IX. Forward Refunding – 1993 Revenue Bonds
- X. Financial Review
 - A. Net Asset (Fund Balance) Analysis
 - B. Five Year Capital Improvement Program
 - C. Self Insurance Study
- XI. Non-Recurring Items
 - A. Review the original Charter Customer Agreements and Accounts

All visitors must present a valid drivers license or other government-issued photo identification, sign in at the reception area and wear a visitor badge while at the DuPage Pumping Station.

- B. What is the basis for reimbursement for customer infrastructure and what are the criteria for comparison between Charter Customers and Subsequent Customers
- C. Return on investment and feasibility of pre-payments of the General Obligation and Revenue Bonds

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**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DU PAGE WATER COMMISSION
HELD ON DECEMBER 12, 2002**

The meeting was called to order at 8:00 a .m. at the offices of the DuPage Water Commission, 600 E. Butterfield Rd., Elmhurst, Illinois 60126. Committee members in attendance: A. Poole, Committee Chairman, J. Tenison, J. Janicik and B. Krajewski. Also in attendance: Commission Chairman M. Vondra (*ex officio*) and R. Skiba.

MINUTES OF MEETINGS – SEPTEMBER 12, 2002

The Committee noted the need for an apostrophe in the third line of the section of the minutes entitled "Fund Balance Analysis and Self Insurance Study". Staff indicated this correction would be made. Motion by Commissioner Janicik, seconded by Commissioner Tenison, to approve the minutes of the September 12, 2002 Finance Committee meeting, as corrected. This motion carried unanimously.

TREASURER'S REPORT – NOVEMBER, 2002

The Committee reviewed the November, 2002 Treasurer's Report. The Committee will recommend acceptance of the report by the full Commission at its meeting of December 12, 2002. Commissioner Janicik asked for a copy of the Commission's Investment Policy. Staff will provide this copy.

FINANCIAL STATEMENTS - NOVEMBER, 2002

The Committee noted how the weather and the seasons affect the Commission's water sales. Staff noted that from November through April water sales are practically the same each fiscal year. After a further brief discussion, the Committee accepted the report.

ACCOUNTS PAYABLE

The Committee reviewed the revised accounts payable in the amount of \$3,026,952.55. Staff identified the revisions for and discussed them with the Committee. The Committee will recommend approval of the revised accounts payable at the December 12, 2002 Commission meeting.

Commission Chairman Vondra suggested that the Commissioners who are eligible for compensation of \$600 per year receive that compensation on an annual basis rather than on a monthly basis as was presented in the accounts payable list for the current month. After some discussion, Commissioner Janicik moved and Commissioner Tenison seconded a motion that the Commissioners be paid twice a year in December and June, \$300 each time. This motion carried the Committee unanimously and will be recommended to the Commission, at its meeting on December 12, 2002.

ORDINANCE O-12-02

The Committee reviewed the Appropriation Transfer Ordinance. Staff briefly discussed the purpose of the ordinance and how it works with the Commission's budget system. Motion by Commissioner Janicik, seconded by Commissioner Tenison, to recommend approval of Ordinance O-12-02 at the Commission meeting of December 12, 2002. This motion carried unanimously.

FIVE YEAR CAPITAL PLAN

Commissioner Poole suggested that construction of additional reservoir storage at the DuPage Pump Station be moved forward one year in the five-year capital plan.

Commissioner Tenison noted that that type of suggestion should come from the Engineering Committee.

Commissioner Poole said that it was imperative to the municipal utilities that the rate be stable for as long as possible.

Commission Chairman Vondra agreed with moving up the reservoir storage by one year at the DuPage Pump Station. He wanted to know why we would defer the pipeline for the final looping of the western transmission main when the prices would likely rise by 33% if the land became developed in the future.

Commission Chairman Vondra questioned keeping the rate at \$1.65 per thousand gallons for multiple years. He suggested that the rate should be indexed each year at a level somewhere between the Commission's own operating cost index and the nationally calculated consumer price index. Commission Chairman Vondra asked that an analysis be made of the Commission's five-year moving average of cost increases. Staff will advise the General Manager of this assignment from the Commission Chairman.

Commissioner Poole stated that he was not in favor of adjusting rates again since they had just been adjusted downward last year. He would rather keep water rates steady for several years to come.

Commissioner Tenison said that we should move rapidly with the five-year plan, including bringing in outside financial expertise, if necessary.

Commission Chairman Vondra noted that some of the programs in the five-year capital improvement plan generate no new revenues. He would like a study done of municipal impact fees to see if there was any application to the expansion of the Commission's system in an effort to reduce the Commission's fixed cost obligations.

REFUNDING 1993 WATER REVENUE BONDS

Commissioner Poole suggested that as the Commission considered refinancing its 1993 Water Revenue Bonds, the services of a financial advisor should be sought. He would like to have a process of Request for Proposals to obtain such services to advise the Commission on this refunding, including the selection of the investment bankers who would underwrite this issue. Commissioner Tenison agreed that such a process should go forward to select a financial advisor. Commissioner Poole said that the fee structure of these proposals should be fixed, based on the various sections of the work to be requested from a financial advisor.

Motion by Commissioner Tenison, seconded by Commissioner Krajewski to begin a Request for Proposal process to obtain the services of a financial advisor for the potential refunding of the Commission's 1993 Water Revenue Bonds. Motion carried. The Committee noted that a timeline needs to be established for this refunding process.

FINANCIAL REVIEW

Staff provided the Committee a packet of additional information relating to this topic. One schedule was a ten-year categorized history of the Commission's fund balances. There was also a schedule of the Commission's infrastructure based on its most recent audit report with a schedule of 2001 replacement values calculated by the Commission's insurance broker. In addition, the Commissioners received documentation regarding the situation the Commission has faced during the past three years in obtaining property coverage. The Committee decided that this review would need a special meeting. A special meeting of the Finance Committee was scheduled for Wednesday, January 15, 2003 from 3:00 p.m. to 5:00 p.m. at the Commission's offices in Elmhurst

OTHER BUSINESS

Commission Chairman Vondra noted that the Commission's retirement plan does not mirror the plan that the municipal customers have. He suggested the Commission review its pension plan.

ADJOURNMENT

With no further business to come before the Committee, there was a motion by Commissioner Tenison, seconded by Commissioner Janicik to adjourn the meeting. With the motion carrying unanimously, the meeting was adjourned at 8:35 a.m.



DuPage Water Commission

MEMORANDUM

TO: General Manager
FROM: Financial Administrator
DATE: January 3, 2003
SUBJECT: Financial Report – December 31, 2002

WATER FUND

Total revenue was 1.0% more than budget as of December 31st. Year-to-date, water sales were 0.2% less than budget. December sales tax collections (for sales made in September) were \$46,618 (1.8%) less than December, 2001. In the first eight months of the fiscal year, collections were \$553,037 (2.6%) less than fiscal year 2001-02.

Increases in the market value of the Commission's portfolio accounted for \$342,278 of the investment income for the month of December. This is a reversal of the market performance for November when market decreases in the value of the Commission's portfolio holdings totaled \$343,569.

Other income represents construction reimbursements for additional customer facilities that were delayed in the prior fiscal year. The over budget condition in the revenue item represents the catching up of the projects. The month of December shows a negative amount for other income. This corrects the treatment of construction reimbursements for a new customer. That customer has chosen to reimburse the Commission through water rates rather than concurrent payments that had been recorded as accounts receivable.

Total expenses were 4.2% less than budget. The bond interest line item is below budget and will remain so for the entire fiscal year due to a budgeting error. Professional service costs were over budget due to the efforts to solve the water quality problem in areas of unincorporated DuPage County. Contractual services are less than budget due to a delayed start of the blow-off valve repair project.

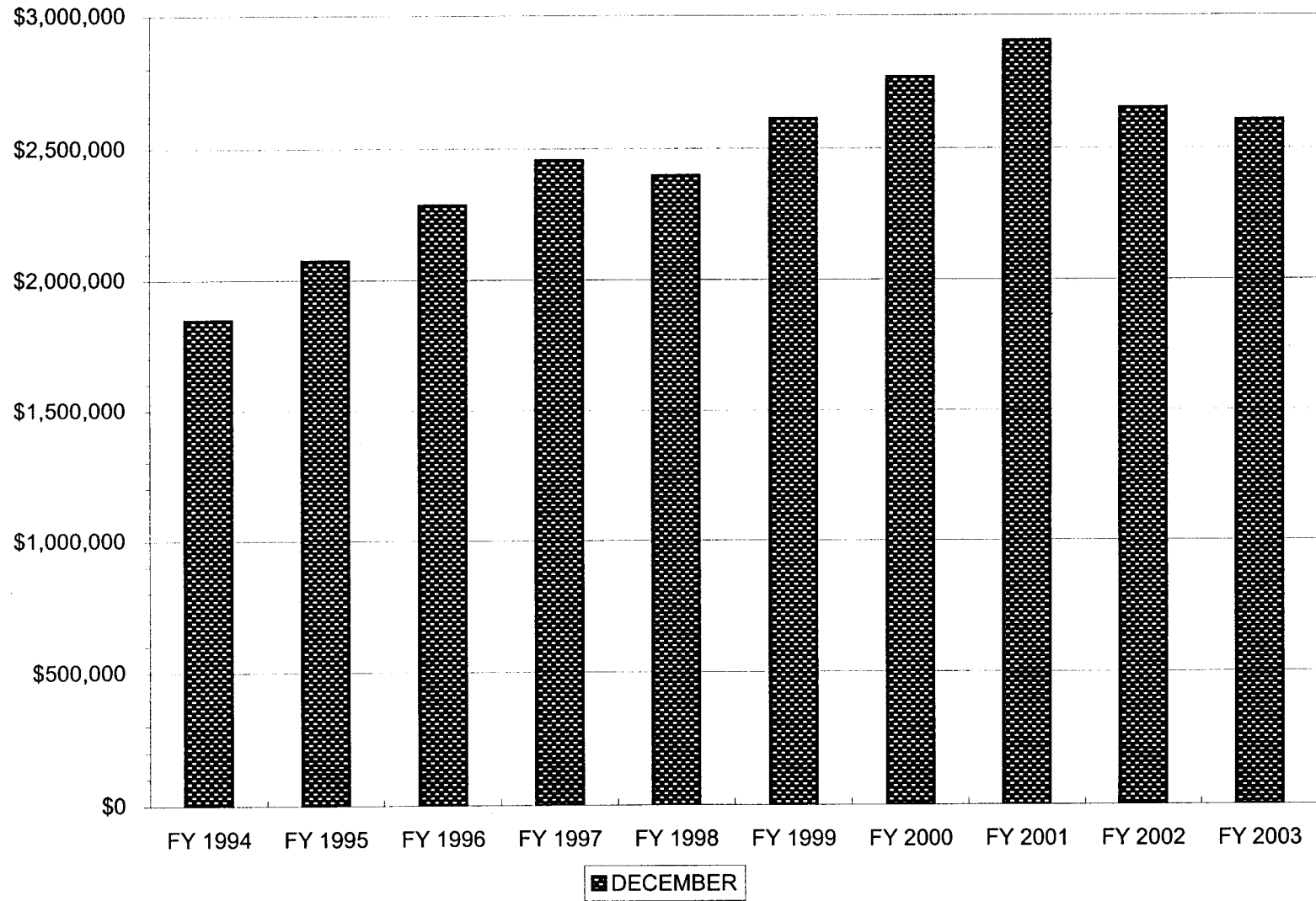
Water supply costs exceed the budget by 0.9%. This is mainly due to higher than expected electrical costs. Since there have been no self insured claims to date (budgeted at \$1.02 million), the insurance expense line is 46.0% under budget.

INVESTMENT PORTFOLIO

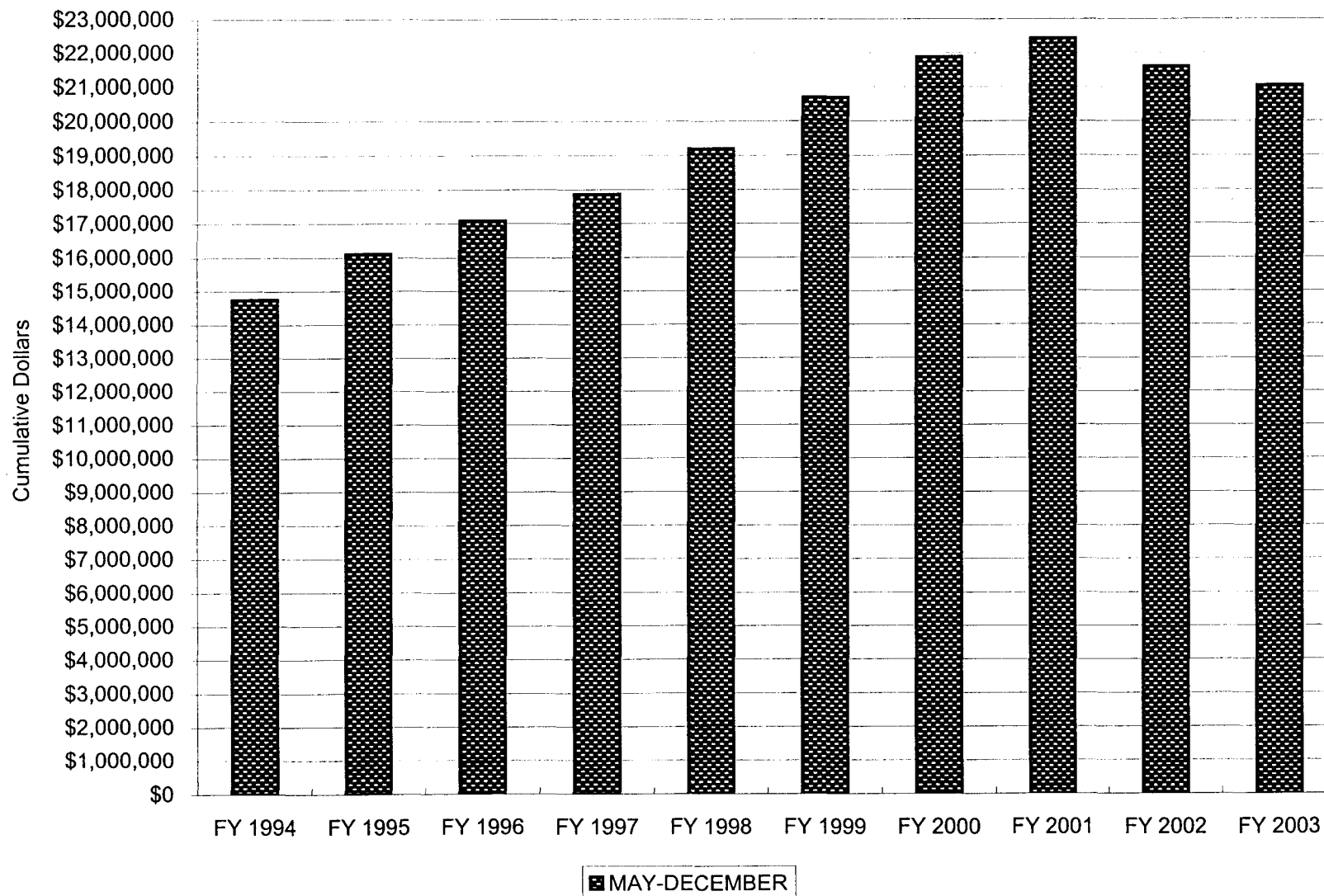
The Commission's investment portfolio market value totals \$200.2 million. It is earning approximately 1.48% based on market yield and 2.31% based on original purchase price. The benchmark yield adopted by the Commission was 1.08% at December 31, 2002.

Commission funds are invested as follows: United States Treasury obligations (40.3%), United States Agency obligations (30.9%), the Illinois Funds Money Market Fund (8.0%), the Illinois Funds Prime Funds (8.3%), certificates of deposit (12.5%) and government money market funds (less than 0.1%).

**DuPage Water Commission
Sales Tax Analysis Current Month**



**DuPage Water Commission
Sales Tax Analysis Year to Date**



ASSETS	TOTAL WATER FUND ALL ACCOUNTS	WATER FUND DEPOSITORY ACCOUNTS	OPER & MAINT ACCOUNT	REVENUE BOND INTEREST ACCOUNT	REVENUE BOND PRINCIPAL ACCOUNT	REVENUE BOND DEBT SERVICE RESERVE ACCOUNT	OPER & MAINT RESERVE ACCOUNT	DEPRECIATION ACCOUNT	GENERAL ACCOUNT
CASH	273,008.63	242,091.38	29,745.60	0.00	0.00	1,171.65	0.00	0.00	0.00
INVESTMENTS	200,170,031.24	2,840,006.29	10,370,123.63	1,376,254.84	6,430,502.47	17,922,559.50	9,602,092.42	5,541,475.50	146,087,016.59
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	5,989,584.93	5,989,584.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES TAX RECEIVABLE	7,920,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,920,000.00
ACCOUNTS RECEIVABLE-OTHER	674,494.62	674,494.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	1,573,184.48	0.00	0.00	12,995.00	60,729.58	0.00	49,062.50	22,500.00	1,427,897.40
INVENTORIES & PREPAIDS	494,515.78	494,515.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	425,234,378.71	425,234,378.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	19,655,993.80	19,655,993.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	(63,981,528.14)	(63,981,528.14)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	14,748,817.49	14,748,817.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	612,752,481.54	405,898,354.86	10,399,869.23	1,389,249.84	6,491,232.05	17,923,731.15	9,651,154.92	5,563,975.50	155,434,913.99
=====									
LIABILITIES & EQUITY									
ACCOUNTS PAYABLE	1,465,642.15	0.00	1,465,642.15	0.00	0.00	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	220,133.70	0.00	220,133.70	0.00	0.00	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BONDS PAYABLE CURRENT	18,005,000.00	3,201,666.67	0.00	0.00	6,403,333.33	0.00	0.00	0.00	8,400,000.00
ACCRUED INTEREST	2,945,534.59	0.00	0.00	1,371,317.92	0.00	0.00	0.00	0.00	1,574,216.67
ACCRUED LIABILITIES	2,782,354.47	0.00	2,782,354.47	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT RETENTION	1,138,458.49	0.00	1,138,458.49	0.00	0.00	0.00	0.00	0.00	0.00
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED REVENUE	3,082,097.67	3,082,097.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	219,545,495.46	219,545,495.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	249,184,716.53	225,829,259.80	5,606,588.81	1,371,317.92	6,403,333.33	0.00	0.00	0.00	9,974,216.87
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NET ASSETS									
UNRESTRICTED FUNDS									
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	27,300,000.00	0.00	0.00	0.00	0.00	86,518.65	64,594.08	563,975.50	26,584,911.77
RESERVED FOR WATER RATE STABILIZATION	50,512,547.06	7,158,595.33	0.00	0.00	0.00	0.00	0.00	0.00	43,353,951.73
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	71,913,971.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	71,913,971.95
TOTAL UNRESTRICTED FUNDS	149,726,519.01	7,158,595.33	0.00	0.00	0.00	86,518.65	64,594.08	563,975.50	141,852,835.45
RESTRICTED BY ORDINANCE/RESOLUTION	40,930,746.27	0.00	4,793,280.42	17,931.92	87,898.72	17,837,212.50	9,586,560.84	5,000,000.00	3,607,861.87
INVESTED IN PROPERTY PLANT AND EQUIPMENT	172,910,499.73	172,910,499.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL NET ASSETS	363,567,765.01	180,069,095.06	4,793,280.42	17,931.92	87,898.72	17,923,731.15	9,651,154.92	5,563,975.50	145,460,697.32
TOTAL LIABILITIES & NET ASSETS	612,752,481.54	405,898,354.86	10,399,869.23	1,389,249.84	6,491,232.05	17,923,731.15	9,651,154.92	5,563,975.50	155,434,913.99
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a - ESTABLISHED AT 5% OF ORIGINAL CONSTRUCTION COSTS AS OF
MAY 1, 1992; INCREASED ANNUALLY BY THE ENGINEERING NEWS
RECORD CONSTRUCTION INDEX

DU PAGE WATER COMMISSION
WATER FUND
GENERAL LEDGER
BALANCE SHEET - GENERAL ACCOUNT DETAIL
December 31, 2002

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ASSETS	TOTAL GENERAL ACCOUNT	WATER FUND SUBACCOUNT	SALES TAXES SUBACCOUNT	GO BOND DEBT SERVICE SUBACCOUNT
CASH	0.00	0.00	0.00	0.00
INVESTMENTS	146,087,016.59	53,503,186.42	81,755,031.63	10,828,798.54
DUE FROM OTHER FUNDS	0.00	0.00	0.00	0.00
CUSTOMER ACCOUNTS RECEIVABLE	0.00	0.00	0.00	0.00
SALES TAX RECEIVABLE	7,920,000.00	0.00	7,920,000.00	0.00
ACCOUNTS RECEIVABLE-OTHER	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	1,427,897.40	435,677.08	794,990.32	197,230.00
INVENTORIES & PREPAIDS	0.00	0.00	0.00	0.00
FIXED ASSETS	0.00	0.00	0.00	0.00
CONSTRUCTION IN PROGRESS	0.00	0.00	0.00	0.00
LESS: ACCUMULATED DEPRECIATION	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	0.00	0.00	0.00	0.00
TOTAL ASSETS	155,434,913.99	53,938,863.50	90,470,021.95	11,026,028.54
LIABILITIES & EQUITY				
ACCOUNTS PAYABLE	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	0.00	0.00	0.00	0.00
DUE TO OTHER FUNDS	0.00	0.00	0.00	0.00
BONDS PAYABLE CURRENT	8,400,000.00	0.00	0.00	8,400,000.00
ACCRUED INTEREST	1,574,216.67	0.00	0.00	1,574,216.67
ACCRUED LIABILITIES	0.00	0.00	0.00	0.00
CONTRACT RETENTION	0.00	0.00	0.00	0.00
OTHER DEPOSITS AND DEFERRED CREDITS	0.00	0.00	0.00	0.00
DEFERRED REVENUE	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	9,974,216.67	0.00	0.00	9,974,216.67
NET ASSETS				
UNRESTRICTED FUNDS				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	26,584,911.77	10,584,911.77	16,000,000.00	0.00
RESERVED FOR WATER RATE STABILIZATION	43,353,951.73	43,353,951.73	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	71,913,971.95	0.00	71,913,971.95	0.00
TOTAL UNRESTRICTED FUNDS	141,852,835.45	53,938,863.50	87,913,971.95	0.00
RESTRICTED BY ORDINANCE/RESOLUTION	3,607,861.87	0.00	2,556,050.00	1,051,811.87
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
TOTAL NET ASSETS	145,460,697.32	53,938,863.50	90,470,021.95	1,051,811.87
TOTAL LIABILITIES & NET ASSETS	155,434,913.99	53,938,863.50	90,470,021.95	11,026,028.54

DU PAGE WATER COMMISSION
WATER FUND
GENERAL LEDGER
STATEMENT OF REVENUES & EXPENDITURES
December 31, 2002

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REVENUE	CURRENT MONTH ACTUAL	Y-T-D ACTUAL	Y-T-D BUDGET	Y-T-D BUDGET VARIANCE FAVORABLE (UNFAVORABLE)	% OF Y-T-D BUDGET
OPERATIONS & MAINTENANCE REVENUES	3,195,250.10	30,381,752.46	30,436,453.49	(54,701.03)	99.8%
FIXED COST REVENUES	847,063.17	6,776,505.26	6,776,505.33	(0.07)	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	80,966.04	667,497.85	707,597.65	(40,099.80)	94.3%
EMERGENCY WATER SERVICE	594.00	7,603.80	0.00	7,603.80	N/A
SALES TAXES	2,604,862.13	21,044,084.89	22,095,616.40	(1,051,531.51)	95.2%
INVESTMENT INCOME	845,044.87	4,557,806.71	3,041,523.97	1,516,282.74	149.9%
OTHER INCOME	(167,535.20)	529,714.33	248,859.59	280,854.74	212.9%
TOTAL REVENUE	7,406,245.11	63,964,965.30	63,306,556.43	658,408.87	101.0%
EXPENSES					
PERSONAL SERVICES	181,956.03	1,541,701.62	1,633,849.96	92,148.34	94.4%
PROFESSIONAL SERVICES	21,184.79	218,665.07	167,351.78	(51,313.29)	130.7%
CONTRACTUAL SERVICES	1,909.94	165,642.09	502,117.81	336,475.72	33.0%
INSURANCE	0.00	605,294.22	1,121,010.79	515,716.57	54.0%
ADMINISTRATIVE COSTS	10,460.31	67,880.51	88,280.54	20,400.03	76.9%
WATER SUPPLY COSTS	3,319,935.05	32,342,945.27	32,064,583.86	(278,361.41)	100.9%
BOND INTEREST EXPENSE	1,117,731.86	8,933,578.38	10,145,392.66	1,211,814.28	88.1%
LAND AND RIGHT OF WAY	0.00	3,495.00	4,024.03	529.03	86.9%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	524,559.73	4,226,169.44	4,496,234.63	270,065.19	94.0%
TOTAL OPERATING EXPENSES	5,177,737.71	48,105,371.60	50,222,846.06	2,117,474.46	95.8%
NET OPERATING INCOME	2,228,507.40	15,859,593.70	13,083,710.37	2,775,883.33	121.2%
CONSTRUCTION EXPENDITURES	34,024.49	4,917,572.06	5,560,157.52	642,585.46	88.4%
NET FUND TRANSACTIONS	2,194,482.91	10,942,021.64	7,523,552.85	3,418,468.79	145.4%
BEGINNING NET ASSETS		347,708,171.31			
ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED		4,917,572.06			
ENDING NET ASSETS		363,567,765.01			

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 12/31/02	BID PRICE 12/31/02
Water Fund Depository Accounts (WF-1210)											
Illinois Funds-Money Market	1.238%	12/31/02	01/01/03	1.238%	1.238%	\$ 1,069,689.38	\$ 1,069,689.38	\$ -	\$ 1,069,689.38	\$ -	100.000
Illinois Funds-Prime Fund	1.326%	12/31/02	01/01/03	1.326%	1.326%	1,770,316.91	1,770,316.91	-	1,770,316.91	-	100.000
				1.293%	1.293%	\$ 2,840,006.29	\$ 2,840,006.29	\$ -	\$ 2,840,006.29	\$ -	
Water Fund Oper. & Maint. Acct. (WF-1211)											
Illinois Funds-Money Market	1.238%	12/31/02	01/01/03	1.238%	1.238%	\$ 5,377,275.36	\$ 5,377,275.36	\$ -	\$ 5,377,275.36	\$ -	100.000
Illinois Funds-Prime Fund	1.326%	12/31/02	01/01/03	1.326%	1.326%	4,992,848.27	4,992,848.27	-	4,992,848.27	-	100.000
				1.280%	1.280%	\$ 10,370,123.63	\$ 10,370,123.63	\$ -	\$ 10,370,123.63	\$ -	
Revenue Bond Interest Account (WF-1212)											
One Group Government Money Market	0.476%	12/31/02	01/01/03	0.476%	0.476%	\$ 338.58	\$ 338.58	\$ -	\$ 338.58	\$ -	100.000
U. S. Treas. Notes (Banc One Trust Company)	5.750%	11/07/02	04/30/03	1.214%	1.070%	686,000.00	696,075.63	(4,823.43)	700,899.06	6,574.17	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	12/04/02	04/30/03	1.191%	1.070%	670,000.00	679,840.63	(2,512.50)	682,353.13	6,420.83	101.469
				1.202%	1.070%	\$ 1,356,338.58	\$ 1,376,254.84	\$ (7,335.93)	\$ 1,383,590.77	\$ 12,995.00	
Revenue Bond Principal (WF-1213)											
One Group Government Money Market	0.476%	12/31/02	01/01/03	0.476%	0.476%	\$ 427.77	\$ 427.77	\$ -	\$ 427.77	\$ -	100.000
U. S. Treas. Notes (Banc One Trust Company)	5.750%	06/11/02	04/30/03	2.154%	1.070%	1,581,000.00	1,604,220.94	(26,370.58)	1,630,591.52	15,151.25	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	07/10/02	04/30/03	2.148%	1.070%	768,000.00	779,280.00	(12,690.00)	791,970.00	7,360.00	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	08/05/02	04/30/03	1.556%	1.070%	765,000.00	776,235.94	(12,162.30)	788,398.24	7,331.25	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	09/13/02	04/30/03	1.638%	1.070%	765,000.00	776,235.94	(8,426.95)	784,662.89	7,331.25	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	10/07/02	04/30/03	1.459%	1.070%	172,000.00	174,526.25	(1,619.22)	176,145.47	1,648.33	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	10/08/02	04/30/03	1.460%	1.070%	591,000.00	599,680.31	(5,402.11)	605,082.42	5,663.75	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	11/07/02	04/30/03	1.214%	1.070%	913,000.00	926,409.69	(6,419.53)	932,829.22	8,749.58	101.469
U. S. Treas. Notes (Banc One Trust Company)	5.750%	12/04/02	04/30/03	1.191%	1.070%	782,000.00	793,485.63	(2,932.50)	796,418.13	7,494.17	101.469
				1.681%	1.070%	\$ 6,337,427.77	\$ 6,430,502.47	\$ (76,023.19)	\$ 6,506,525.66	\$ 60,729.58	
Revenue Bond Debt Svc. Reserve (WF-1214)											
U. S. Treas. Bills (Banc One Trust)	0.000%	10/11/02	04/10/03	1.563%	1.200%	\$ 17,982,000.00	\$ 17,922,559.50	\$ 78,886.03	\$ 17,843,673.47	\$ -	99.669
				1.563%	1.200%	\$ 17,982,000.00	\$ 17,922,559.50	\$ 78,886.03	\$ 17,843,673.47	\$ -	
Water Fund Oper. & Maint. Res. (WF-1215)											
Illinois Funds-Money Market	1.238%	12/31/02	01/01/03	1.238%	1.238%	\$ 174,337.53	\$ 174,337.53	\$ -	\$ 174,337.53	\$ -	100.000
Illinois Funds-Prime Fund	1.326%	12/31/02	01/01/03	1.326%	1.326%	188,067.39	188,067.39	-	188,067.39	-	100.000
U. S. Treas. Notes (Banc One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	1.180%	5,000,000.00	5,129,687.50	10,742.19	5,118,945.31	26,562.50	102.594
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	1.250%	4,000,000.00	4,110,000.00	80,000.00	4,030,000.00	22,500.00	102.750
				2.899%	1.214%	\$ 9,362,404.92	\$ 9,602,092.42	\$ 90,742.19	\$ 9,511,350.23	\$ 49,062.50	

PAGE 9

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 12/31/02	BID PRICE 12/31/02
Water Fund Depreciation Account (WF-1216)											
Illinois Funds-Money Market	1.238%	12/31/02	01/01/03	1.238%	1.238%	\$ 680,481.50	\$ 680,481.50	\$ -	\$ 680,481.50	\$ -	100.000
Illinois Funds-Prime Fund	1.326%	12/31/02	01/01/03	1.326%	1.326%	750,994.00	750,994.00	-	750,994.00	-	100.000
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	1.250%	4,000,000.00	4,110,000.00	80,000.00	4,030,000.00	22,500.00	102.750
				2.525%	1.259%	\$ 5,431,475.50	\$ 5,541,475.50	\$ 80,000.00	\$ 5,461,475.50	\$ 22,500.00	
Water Fund General Account (WF-1217)											
Illinois Funds-Money Market	1.238%	12/31/02	01/01/03	1.238%	1.238%	\$ 2,525,982.62	\$ 2,525,982.62	\$ -	\$ 2,525,982.62	\$ -	100.000
Illinois Funds-Prime Fund	1.326%	12/31/02	01/01/03	1.326%	1.326%	4,470,428.80	4,470,428.80	-	4,470,428.80	-	100.000
U. S. Treas. Strip-int (ABN AMRO)	0.000%	03/19/02	05/15/03	2.661%	1.220%	10,000,000.00	9,943,750.00	244,974.50	9,698,775.50	-	99.438
F.H.L.B. (D. Rauscher)	6.875%	11/30/01	08/15/03	2.951%	1.260%	5,000,000.00	5,172,500.00	(151,818.14)	5,324,318.14	128,906.25	103.450
F.H.L.B. (D L J)	3.750%	11/13/02	02/13/04	1.569%	1.479%	10,000,000.00	10,249,900.00	(20,467.60)	10,270,367.60	140,625.00	102.499
U. S. Treas. Notes (Dain Rauscher)	7.250%	01/31/02	05/15/04	3.204%	1.270%	10,000,000.00	10,803,125.00	(81,175.00)	10,884,300.00	90,625.00	108.031
F.H.L.B. (RBC D. Rauscher)	3.625%	06/14/02	10/15/04	3.403%	1.660%	10,000,000.00	10,337,500.00	289,843.75	10,047,656.25	75,520.83	103.375
				2.554%	1.378%	\$ 51,996,411.42	\$ 53,503,186.42	\$ 281,357.51	\$ 53,221,828.91	\$ 435,677.08	
Sales Tax Funds (WF-1230)											
Illinois Funds-Money Market	1.238%	12/31/02	01/01/03	1.238%	1.238%	\$ 6,067,640.11	\$ 6,067,640.11	\$ -	\$ 6,067,640.11	\$ -	100.000
Illinois Funds-Prime Fund	1.326%	12/31/02	01/01/03	1.326%	1.326%	4,369,291.52	4,369,291.52	-	4,369,291.52	-	100.000
Cert. of Deposit (Oak Brook Bank)	2.250%	01/15/02	01/15/03	2.250%	2.250%	6,000,000.00	6,000,000.00	-	6,000,000.00	129,452.05	100.000
U. S. Treas. Strip-prm (ABN AMRO)	0.000%	03/20/02	02/15/03	2.547%	1.270%	5,000,000.00	4,992,187.50	106,037.50	4,886,150.00	-	99.844
Cert. of Deposit (Mid America Bank)	2.750%	04/12/02	04/15/03	2.750%	2.750%	6,000,000.00	6,000,000.00	-	6,000,000.00	118,890.41	100.000
Cert. of Deposit (Winfield Community Bank)	3.000%	06/17/02	06/17/03	3.000%	3.000%	1,000,000.00	1,000,000.00	-	1,000,000.00	16,191.78	100.000
Cert. of Deposit (West Suburban Bank)	3.000%	07/16/02	07/16/03	3.000%	3.000%	5,935,100.00	5,935,100.00	-	5,935,100.00	81,953.16	100.000
F.H.L.B. (D. Rauscher)	6.875%	11/30/01	08/15/03	2.951%	1.260%	5,000,000.00	5,172,500.00	(151,818.14)	5,324,318.14	128,906.25	103.450
Cert. of Deposit (West Suburban Bank)	2.480%	10/15/02	10/15/03	2.480%	2.480%	64,900.00	64,900.00	-	64,900.00	339.54	100.000
Cert. of Deposit (Suburban Bank & Trust)	2.000%	10/16/02	10/16/03	2.000%	2.000%	6,000,000.00	6,000,000.00	-	6,000,000.00	24,986.30	100.000
U. S. Treas. Notes (Banc One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	1.180%	5,000,000.00	5,129,687.50	10,742.18	5,118,945.32	26,562.50	102.594
F.H.L.B. (ABN AMRO)	3.375%	06/21/02	05/14/04	3.002%	1.551%	10,000,000.00	10,245,600.00	176,850.00	10,068,750.00	42,187.50	102.456
F.H.L.B. (RBC D. Rauscher)	3.625%	09/12/02	10/15/04	2.400%	1.660%	10,000,000.00	10,337,500.00	89,700.00	10,247,800.00	75,520.83	103.375
F.H.L.B. (RBC D. Rauscher)	4.000%	10/17/02	02/15/05	2.462%	1.830%	10,000,000.00	10,440,625.00	96,125.00	10,344,500.00	150,000.00	104.406
				2.455%	1.802%	\$ 80,436,931.63	\$ 81,755,031.63	\$ 327,636.54	\$ 81,427,395.09	\$ 794,990.32	
2001 G. O. Bonds Debt Service (WF-1243)											
ABN AMRO Government Money Market	0.970%	12/31/02	01/01/03	0.970%	0.970%	\$ 199.16	\$ 199.16	\$ -	\$ 199.16	\$ -	100.000
U. S. Treas. Notes (LaSalle Bank)	5.500%	03/08/02	02/28/03	2.450%	1.010%	10,758,000.00	10,828,599.38	(244,576.40)	11,073,175.78	197,230.00	100.656
				2.450%	1.010%	\$ 10,758,199.16	\$ 10,828,798.54	\$ (244,576.40)	\$ 11,073,374.94	\$ 197,230.00	
	TOTAL ALL FUNDS			2.314%	1.486%	\$ 196,871,318.90	\$ 200,170,031.24	\$ 530,686.75	\$ 199,639,344.49	\$ 1,573,184.48	
December 31, 2002	90 DAY US TREASURY YIELD			1.080%							



DuPage Water Commission

MEMORANDUM

TO: General Manager

FROM: Financial Administrator

DATE: January 3, 2003

SUBJECT: Insurance – Terrorism Coverage Endorsement

On November 26, 2002, the Terrorist Risk Insurance Act was signed by the President. As a result, terrorism coverage, that had been either limited or excluded from the November 1, 2002 insurance renewals, is now being made available to the Commission. This will affect both the liability insurance coverage and the property insurance coverage.

At this time, the Commission has not received any correspondence from its liability insurance carrier regarding the implementation of terrorist coverage to the policies. According to the Commission's broker, this coverage is in effect for the liability policy and will remain so unless the Commission makes a decision, upon receipt of an invoice, to decline the terrorism coverage.

The Commission covers its property using four different insurance policies provided by three different insurance carriers. There are two policies that cover above ground facilities and two policies that cover below ground facilities. Notice about terrorism coverage has already been received from the property insurance carriers. Action by the Commission is required in regard to two of these insurance policies.

For above ground facilities, the first \$100 million coverage, after deductibles of \$25,000 to \$250,000 depending on cause of the damage, is provided by Allianz Insurance Company. In the original policy, terrorism coverage was limited to \$2.5 million. Under this new national act, Allianz is offering to provide the Commission with the full \$100 million of coverage--an additional \$97.5 million of terrorism property damage coverage--for above ground facilities at a cost of \$51,141.59.

A second layer of above ground property insurance coverage comes from Royal Insurance Company which covers the Commission to the extent of \$120 million above the first \$100 million of loss. It also had a terrorism exclusion. Notification has been received that the terrorism exclusion has been eliminated without additional premium.

However, if the Commission does not accept the additional \$97.5 million of coverage from Allianz there will be a gap in its terrorism insurance coverage. For example, if there is a terrorist attack on above ground facilities causing property damage in excess of \$2.5 million, the Commission will, in effect, be self-insured for up to \$97.5 million before the

Royal policy would become involved because it covers damage only after \$100 million has been incurred.

The total premium on above ground property insurance was \$249,609. The \$51,142 premium increase from Allianz is approximately 20% of the original premium. Given the Commission's above ground exposure, this may be a prudent purchase.

Underground facilities are covered by two policies totaling \$40 million after a \$1 million deductible per occurrence. Both policies had excluded coverage for acts of terrorism.

The first \$20 million of underground facilities coverage comes from Royal Insurance. Royal Insurance Company has now extended terrorism coverage on this policy at no charge. Sheffield Insurance provides an additional \$20 million in excess of the Royal policy. Sheffield is offering to provide terrorism coverage up to the limit of \$20 million in excess of the Royal \$20 million for a premium of \$12,979.

In the case of underground property, the Commission already has its first \$20 million of underground insurance coverage for terrorist acts. The additional \$20 million needs to be carefully considered given that the exposure is underground rather than above ground and that the cost per \$1 million of coverage is high compared to the cost of the Allianz above ground endorsement.

This item is on the Commission's January 9th agenda for consideration. The Allianz Insurance endorsement, if accepted, must be paid by January 30, 2003. The Sheffield endorsement currently does not have a deadline. If accepted by the Commission, the broker will advance the premiums for terrorism coverages selected and bill the Commission in February.

Attachment

cc: Finance Committee
Chairman and Commissioners

Accounting/correspondence/terrorist coverage.mem

Allianz Insurance Company

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

DuPage Water Commission
600 East Butterfield Road
Elmhurst, IL 60126
Policy #CLP 3002632

Risk Placement Services Inc
125 S Wacker Drive #1580
Chicago, IL 60606-4402

December 18, 2002

You are hereby notified that under the Terrorism Risk Insurance Act of 2002, effective November 26, 2002, that you now have a right to purchase insurance coverage for losses arising out of acts of terrorism, *as defined in Section 102(1) of the Act*. The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property; or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Coverage under your existing policy may be affected as follows:

ANY IN-FORCE TERRORISM SUBLIMITS FOR ACTS OF TERRORISM, AS DEFINED IN THE ACT, ALREADY CONTAINED IN YOUR POLICY OR INCLUDED IN AN ENDORSEMENT ARE **NULLIFIED** AS OF NOVEMBER 26, 2002, BUT ONLY TO THE EXTENT REQUIRED BY THE ACT.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES PAYS 90% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

SELECTION OR REJECTION OF TERRORISM INSURANCE COVERAGE

UNDER FEDERAL LAW, YOU HAVE THIRTY (30) DAYS TO CONSIDER THIS OFFER OF FULL COVERAGE FOR TERRORIST ACTS, AS DEFINED IN THE ACT AND SUBMIT THE PREMIUM REQUIRED. IF WE DO NOT RECEIVE THE QUOTED PREMIUM IN FULL BY **1/30/2003**, THE PORTION OF YOUR TERRORISM SUBLIMIT NULLIFIED BY THE ACT WILL BE REINSTATED EFFECTIVE **11/26/2002**, AND YOU WILL NOT BE COVERED FOR LOSSES ARISING FROM TERRORIST ACTS, AS DEFINED IN THE ACT, THAT WERE PREVIOUSLY EXCLUDED OR IF NOT EXCLUDED, EXCEED THE SUBLIMIT IN YOUR POLICY.

SUBJECT TO THE TERMS, CONDITIONS AND LIMITATIONS OF YOUR POLICY, ANY COVERAGE MANDATED BY APPLICABLE STANDARD FIRE POLICY LAWS OR WORKERS COMPENSATION LAWS IN YOUR STATE WILL NOT BE AFFECTED BY YOUR REJECTION BELOW OF COVERAGE FOR TERRORIST ACTS, AS DEFINED IN THE ACT.

<input type="checkbox"/>	I hereby elect to purchase full coverage for acts of terrorism, as defined in the Act, for a prospective premium of \$51,141.59 .
<input type="checkbox"/>	I hereby elect to have the sublimit for terrorism coverage reinstated. I understand that I will have no coverage for losses arising from acts of terrorism, as defined in the Act, that were previously excluded, or if not excluded, exceed the sublimit in my policy.

_____	_____
Policyholder/Applicant's Signature	Allianz Insurance Company Insurance Company
_____	_____
Print Name	CLP 3002632 Policy Number

Date	

PLEASE FAX THIS SIGNED DISCLOSURE NOTICE TO THE ALLIANZ CONTACT LISTED BELOW AND RETURN THE ORIGINAL SIGNED DISCLOSURE NOTICE TO YOUR BROKER OR AGENT. IF YOU HAVE ELECTED TO PURCHASE TERRORISM COVERAGE, PLEASE REMEMBER TO REMIT PAYMENT TO YOUR BROKER.

Allianz Contact:

Mark S. Houghton, CPCU, ARM
 Manager, Underwriting Support, Casualty
 Allianz Insurance Company
 2350 Empire Avenue
 Burbank, CA 91504-3350
 Phone: (818) 260-7413
 Fax: (818) 260-7421



Royal Specialty Underwriting Inc
Suite 1800
945 East Paces Ferry Road
Atlanta, GA 30326-1125

Phone
404 231-2366
Fax
404 231-3755

December 17, 2002

Mike Kokonas
Risk Placement Services, Inc.
125 South Wacker Drive
Suite 1320
Chicago, IL 60606

This Disclosure of Premium must be forwarded to the Insured named below.

Re: Insured's Name: DuPage Water Commission
Company: Royal Indemnity Company
Policy Number: R2H0326913
Expiration Date: November 01, 2003

ABOVE GROUND

Dear Mike,

The Terrorism Insurance Act of 2002 (HR3210) was recently passed by Congress and signed into Law by the President on November 26, 2002. The Act establishes a program within the Department of the Treasury under which the federal government shares with the insurance industry the risk of future terrorist attacks. The Act applies when the Secretary of the Treasury certifies that an event meets the definition of an act of terrorism. The Act provides that in order to be certified, an act of terrorism must cause losses of at least \$5 million and must have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest to coerce the government or population of the United States.

This Policy referenced above contains an exclusion of losses caused by terrorism. In accordance with the Terrorism Insurance Act of 2002, part of that exclusion is void and without effect. Losses resulting from an act of terrorism *that is certified by the Secretary of the Treasury* as an act of terrorism are covered under this policy. All other policy provisions will still apply to the coverage for such act of terrorism.

DISCLOSURE OF PREMIUM

The portion of your premium attributable to the coverage for terrorist acts certified under the Act is *waived*.

DISCLOSURE OF FEDERAL PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 90% of that portion of the amount of such insured losses that exceeds the applicable insurer retention.

Regards,

ROYAL INDEMNITY COMPANY

Part of the Royal & Sun Alliance Insurance Group



Royal Specialty Underwriting, Inc.
Suite 1800
945 East Paces Ferry Road
Atlanta, GA 30326-1125

Phone
404-231-2368
Fax
404-231-3755

December 17, 2002

Mike Kokonas
Risk Placement Services, Inc.
125 South Wacker Drive
Suite 1320
Chicago, IL 60606

This Disclosure of Premium must be forwarded to the Insured named below.

Re: Insured's Name: Dupage Water Commission
Company: Royal Indemnity Company
Policy Number: R2HQ326914
Expiration Date: November 01, 2003

UNDER GROUP

Dear Mike,

The Terrorism Insurance Act of 2002 (HR3210) was recently passed by Congress and signed into Law by the President on November 26, 2002. The Act establishes a program within the Department of the Treasury under which the federal government shares with the insurance industry the risk of future terrorist attacks. The Act applies when the Secretary of the Treasury certifies that an event meets the definition of an act of terrorism. The Act provides that in order to be certified, an act of terrorism must cause losses of at least \$5 million and must have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest to coerce the government or population of the United States.

This Policy referenced above contains an exclusion of losses caused by terrorism. In accordance with the Terrorism Insurance Act of 2002, part of that exclusion is void and without effect. Losses resulting from an act of terrorism ***that is certified by the Secretary of the Treasury as an act of terrorism*** are covered under this policy. All other policy provisions will still apply to the coverage for such act of terrorism.

DISCLOSURE OF PREMIUM

The portion of your premium attributable to the coverage for terrorist acts certified under the Act is ***waived***.

DISCLOSURE OF FEDERAL PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 80% of that portion of the amount of such insured losses that exceeds the applicable insurer retention.

Regards,

ROYAL INDEMNITY COMPANY

Part of the Royal & Sun Alliance Insurance Group

Name of Applicant: Du Page Water Commission
Date of Notice: 12/31/02

POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

On November 26, 2002, the President of the United States signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). Under the Act, you have a right to purchase insurance coverage for "**insured loss**" arising out of an "**act of terrorism**" on the same terms and in the same amounts as loss caused by other events covered by your policy. (Each of these **bolded terms** is defined by the Act; those definitions control our grant of coverage under your policy).

If, as a part of your policy, you also elect to purchase this terrorism coverage from us, you will be charged an additional premium of \$12,979. You cannot buy this terrorism coverage from us unless you purchase the other policy coverages we have quoted to you.

If you elect to purchase coverage, only "insured loss" as defined by the Act will be covered under your policy. Coverage under your policy for losses that do not fall within the definition of "insured loss" is not affected by the Act or by this Notice. If your policy includes a terrorism exclusion or sublimit, that exclusion or sublimit still applies for losses arising from any acts or events that are not included in the Act's definition of "act of terrorism." In addition:

- "Insured loss" does not include punitive damages and the additional coverage we are providing pursuant to the Act does not include insurance coverage for punitive damages.
- Under the Act, if total "insured losses" of all property and casualty insurers reach \$100 billion during any applicable period, we will not be liable under our policies for our portion of such losses that exceed such amount. The amounts we pay to you under your policy may be reduced as a result. In addition, we may reserve our rights when we make payments to you.

UNDER THE ACT, THE UNITED STATES GOVERNMENT WILL REIMBURSE US FOR 90% OF OUR INSURED LOSSES IN EXCESS OF A DEDUCTIBLE UNTIL TOTAL INSURED LOSSES OF ALL PARTICIPATING INSURERS REACH \$100 BILLION. OUR DEDUCTIBLE IS ESTABLISHED BY THE ACT AND IS BASED ON A PERCENTAGE OF OUR PREMIUMS. FOR 2002, THE DEDUCTIBLE WILL BE 1% OF THE APPLICABLE PREMIUMS; FOR 2003, THE DEDUCTIBLE WILL BE 7% OF THE APPLICABLE PREMIUMS; FOR 2004, THE DEDUCTIBLE WILL BE 10% OF THE APPLICABLE PREMIUMS.

You may elect not to purchase this coverage. If you reject the coverage, no additional premium will be charged and a Terrorism Exclusion for **all** acts of terrorism, including those events covered by the Act, will be included with your policy.

Sheffield Insurance Corp.

Insurance Company

ECF101157
Policy Number

NOTICE TO BROKER

MANDATORY POLICYHOLDER DISCLOSURE RE: TERRORISM INSURANCE COVERAGE

We are required by the Terrorism Risk Insurance Act of 2002 (the "Act") to provide policyholders with clear and conspicuous disclosure of the premium we are charging for terrorism coverage and the Federal share of compensation for such coverage. This notice must be provided at the time of offer, purchase and renewal of the policy.

We have provided you with a notice that meets the Act's requirements. You are instructed to deliver a copy of this notice to our prospective insured when you forward our quote.



DuPage Water Commission

MEMORANDUM

TO: General Manager

FROM: Financial Administrator

DATE: January 3, 2003

SUBJECT: Insurance – Liability Insurance Carrier Downgrade

In a letter received January 2, 2003, the Commission's insurance broker advised of a downgrade of Kemper Insurance Company by A.M. Best. The change in rating is from "Excellent" to "Very Good." No change was made to Kemper's reserve funds rating.

Trying to change carriers at this time does not appear to be imperative. However, the broker will pursue a change in carrier if the Commission so directs.

Attachment

cc: Finance Committee
Chairman and Commissioners

Accounting/Correspondence/Liability Carrier Downgrade.mem

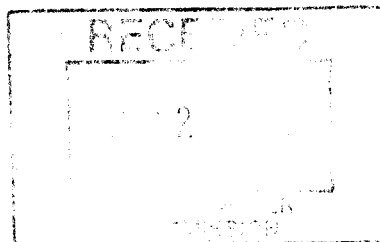


Arthur J. Gallagher & Co.

Arthur J. Gallagher Risk Management Services, Inc.

December 27, 2002

Rick Skiba
Dupage Water Commission
600 E Butterfield Road
Elmhurst, IL 60126



RE: **Specialty National Insurance Company**
A.M. Best's Rating Change

Package Policy#3XZ136914 01 Eff: 11-01-02/03

Dear Rick:


Effective **December 24, 2002**, A.M. Best's announced it downgraded the claims paying ability of **Kemper** from an **A XIV** to a **B+ XIV**. **Specialty National Insurance Company** is in that group.

B++ and B+ (Very Good) ratings are considered "Secure" ratings by A.M. Best's and are assigned to companies, which in their opinion have a good ability to meet their obligations to policyholders over a long period of time. B and B- (Fair) ratings or below are classified by A.M. Best's as "Vulnerable" ratings.

Our company standards recommend the use of A- VI or better A.M. Best's rated markets, but we realize that market availability can be limited or unavailable for some of our clients. However, we will endeavor to find acceptable replacements if so instructed. Should you elect to replace coverage mid-term, a short rate premium cancellation penalty may be charged by the carrier.

We will continue to monitor the situation and will keep you apprised of any important developments.

Best regards,


Jim Mochel, CPCU, ARM
Executive Vice President

SGS/185050

The Gallagher Centre
Two Pierce Place
Itasca, IL 60143-3141
630.773.3800
Fax 630.285.4000
www.ajg.com

Guide to Best Ratings

Rating Levels and Categories

Level	Category	Level	Category	Level	Category
A++, A+	Superior	B, B-	Fair	D	Poor
A, A-	Excellent	C++, C+	Marginal	E	Under Regulatory Supervision
B++, B+	Very Good	C, C-	Weak	F	In Liquidation
				S	Rating Suspended
				U	Under Review

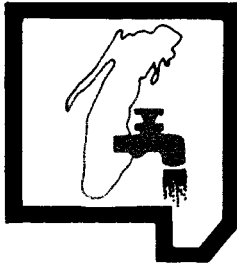
Financial Size Categories

(In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)

FSC I		Up to	1,000	FSC IX	250,000	to	500,000
FSC II	1,000	to	2,000	FSC X	500,000	to	750,000
FSC III	2,000	to	5,000	FSC XI	750,000	to	1,000,000
FSC IV	5,000	to	10,000	FSC XII	1,000,000	to	1,250,000
FSC V	10,000	to	25,000	FSC XIII	1,250,000	to	1,500,000
FSC VI	25,000	to	50,000	FSC XIV	1,500,000	to	2,000,000
FSC VII	50,000	to	100,000	FSC XV	2,000,000	or more	
FSC VIII	100,000	to	250,000				

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.





DU PAGE WATER COMMISSION

600 E. BUTTERFIELD ROAD • ELMHURST, IL • 60126-4642
(630) 834-0100 • FAX: (630) 834-0120

December 26, 2002
Sent by FedEx

SEE ATTACHED LIST

REQUEST FOR PROPOSAL

Dear «Title» «LastName»:

The DuPage Water Commission seeks proposals to perform the services of financial advisor in the current or forward-current refunding of its 1993 Water Revenue Bonds prior to May 1, or November 1, 2003. Proposals should be made on the following phases of work:

1. Assist the Commission in obtaining a bond rating from Moody's, Fitch and Standard and Poor's;
2. Seek and review underwriter proposals, advising the Commission of the top three proposals;
3. Review and advise the underwriters selected by the Commission as to the optimal amount of bonds to be refunded;
4. Advise the Commission as to when to go to the market for the refunding;
5. Review the market and advise the Commission of the appropriate underwriters' spread.

The Commission reserves the right to terminate the refunding process at any phase of the work. The financial advisor's proposal must quote fixed fees for each phase of the work listed above. Proposal must also include resumes from the technical and management personnel that will be assigned to the job.

Proposals are to be returned to the office of the General Manager, DuPage Water Commission, 600 E. Butterfield Road, Elmhurst, Illinois 60126-4642, not later than 10:00 a.m. on January 8, 2003. The Finance Committee may conduct interviews with prospective financial advisors. The Commission will select and appoint the financial advisor by February 14, 2003.

Very truly yours,

Richard H. Skiba, Jr.
Financial Administrator
/bss

cc: J. Holzwart
ACCOUNTING/CORRESPONDENCE/RFP-FINANCIAL ADVISORS.2002.12.26

Mr. Phillip Rooney
Managing Director
Bear, Stearns & Company, Inc.
3 First National Plaza, 26th Floor
Chicago, IL 60602

Mr. Allan R. Ambrose
Vice President Public Finance
Northern Trust Company
50 So. LaSalle St.
Chicago, IL 60675

Mr. Thomas Lanctot
Principal
William Blair & Company
222 W. Adams St.
Chicago, IL 60606

Hamilton Investments
--no longer in business--

Mr. Steve H. Larson
Financial Advisor
Ehlers & Associates
1001 E. Chicago Ave., Suite 135
Naperville, IL 60540

Mr. Ronald V. Norene
President
R. V. Norene & Associates
1701 Lake Avenue, Suite 215
Glenview, IL 60025

Mr. John Glennon
North Amer. Capital Opportunites
455 N. City Front Plaza
Suite 3100A
Chicago, IL 60611

Mr. Phil Peloquin
Public Sector Group, Inc.
673 Weed Street
New Canaan, CT 06840

Mr. David F. Phillips
Vice President
Speer Financial
1 North LaSalle St., Suite 4100
Chicago, IL 60602

Mr. Robert S. Murley
Vice Chairman
Credit Suisse First Boston Corp.
(Donaldson, Lufkin & Jenrette)
227 W. Monroe St.
Chicago, IL 60606