



# **DuPage Water Commission**

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

## **AGENDA**

**FINANCE COMMITTEE  
THURSDAY, APRIL 10, 2003  
6:30 P.M.**

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

- I. Roll Call
- II. Approval of Minutes of January 9, 2003
- III. Approval of Minutes of January 15, 2003
- IV. Treasurer's Report – March, 2003
- V. Financial Statements – March, 2003
- VI. Accounts Payable
- VII. Ordinance O-2-03: Transfer of Appropriations Ordinance for the Fiscal Year Commencing May 1, 2002 and Ending April 30, 2003
- VIII. Ordinance O-3-03: An Ordinance Approving and Adopting an Annual Management Budget for the Fiscal Year Commencing May 1, 2003 and Ending April 30, 2004
- IX. Ordinance O-4-03: An Ordinance Establishing a Water Rate for Operation and Maintenance Costs for the Fiscal Year Commencing May 1, 2003 and Ending April 30, 2004
- X. Ordinance O-5-03: An Ordinance Establishing Fixed Costs to be Payable by Each Contract Customer for the Fiscal Year Commencing May 1, 2003 and Ending April 30, 2004
- XI. Resolution R-8-03: A Resolution Directing the Transfer of the Excess Debt Service Reserve Account Balance to the General Account of the Water Fund

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.

- XII. Resolution R-9-03: A Resolution Directing the Transfer of Certain Excess Account Balances to the General Account of the Water Fund
- XIII. Resolution R-10-03: A Resolution Establishing the Policy of the DuPage Water Commission with Respect to Fund Balances and Construction and Rate Stabilization Reserves for the Fiscal Year Ending April 30, 2003
- XIV. Insurance Coverage
- XV. Possible Current or Forward Current Refunding of 1993 Revenue Bonds
- XVI. Financial Review
  - A. Net Asset (Fund Balance) Analysis
  - B. Five Year Capital Improvement Program
  - C. Self Insurance Study
  - D. Outstanding Revenue and General Obligation Bonds

**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DU PAGE WATER COMMISSION  
HELD ON JANUARY 9, 2003**

The meeting was called to order at 6:40 p.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 (via telephone link) and B. Krajewski. Also in attendance: Commission Chairman M. Vondra (*ex officio*) and R. Skiba.

**MINUTES OF MEETINGS – DECEMBER 12, 2002**

Motion by Commissioner Tenison, seconded by Commissioner Janicik, to approve the minutes of the December 12, 2002 Finance Committee meeting. This motion carried unanimously.

**TREASURER'S REPORT – DECEMBER, 2002**

The Committee reviewed the December, 2002 Treasurer's Report. Motion by Commissioner Tenison, seconded by Commissioner Janicik to recommend acceptance of the report by the full Commission at its meeting of January 9, 2003.

**FINANCIAL STATEMENTS - DECEMBER, 2002**

The Committee reviewed the December, 2002 financial statements. After a brief discussion, the Committee accepted the report.

**ACCOUNTS PAYABLE**

The Committee reviewed the revised accounts payable in the amount of \$3,696,477.71. Staff identified the revisions for and discussed them with the Committee. Motion by Commissioner Janicik, seconded by Commissioner Tenison, to recommend approval of the revised accounts payable at the January 9, 2003 Commission meeting.

**PROPERTY INSURANCE COVERAGE**

The Committee reviewed a staff memo regarding coverage for acts of terrorism that had been either limited or excluded from the Commission's November 1, 2002 insurance renewals. The Commission covers its property using four different insurance policies provided by three different insurance carriers as described in the staff memo.

Motion by Commissioner Janicik, seconded by Commissioner Tenison, to recommend the Commission accept the Allianz Insurance extended coverage for \$51,141.59, but decline the extended coverage from Sheffield Insurance. Motion carried unanimously.

The Committee requested a list of companies and marketing activities related to the November 1, 2002 insurance program. Staff will provide this information for the February Committee meeting.

### **LIABILITY INSURANCE CARRIER RATING**

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.

The Committee directed staff to keep this item on the agenda. Staff is to continue monitoring and reporting any further changes in this carrier rating.

### **FIVE YEAR CAPITAL PLAN**

Commission Chairman Vondra ask the Committee to consider the possibility of a tap on fee. This fee would be charged by the Commission's customers on new housing projects and remitted by the customer to the Commission. Chairman Vondra asked for a recommendation from the Committee. Commissioner Janicik stated his agreement that such a fee should be studied. Commissioner Poole did not agree this type of fee is necessary.

Motion by Commissioner Janicik, seconded by Commissioner Tenison for purposes of discussion, that the Committee and staff review impact fees assessed on behalf of the Commission by its customers on new housing projects within the customers' corporate boundaries.

Commissioner Poole believes that the higher fixed cost burden placed on growing Commission customers is equivalent to an impact fee. Commissioner Tenison questioned whether impact fees could take the place of fixed cost payment. Staff stated that any change in the method of assessing fixed costs would require an amendment to the Commission's contract with its customers.

The Committee then voted unanimously to approve the motion to study impact fees.

### **BASIS FOR REIMBURSEMENT FOR CUSTOMER INFRASTRUCTURE**

Commission Chairman Vondra has been asked how the Commission handled the construction of customer connection infrastructure. What were the financing differences between charter customer and subsequent customer connection infrastructure? What were the disadvantages for subsequent customers?

Staff reported that this had been considered in establishing the subsequent customer pricing structure. A memo will be prepared for the Commission as to how these differences were handled.

### **RETENTION OF FINANCIAL ADVISOR**

Staff reported that five responses had been received to the Commission's request for financial advisor services (RFP's). Because the RFP's were issued based on a December 12, 2002 Finance Committee motion which was narrower in scope than the Commission directive given later that same date, staff had not opened these proposals.

Commissioner Janicik had noticed this discrepancy. He also thought it was ill advised to have sent the RFP's to only financial advisors with prior service or interest in the Commission. However, since the process is underway, he suggested the RFP's be opened with the Committee seeking a broader scope of service to include a review of such things as debt retirement, review of reserve balance adequacy and insurance exposures through an addendum to the RFP.

Motion by Commissioner Janicik, seconded by Commissioner Tenison, to open the RFP responses then draft an addendum to the RFP for review at the next Committee meeting, requesting a response for the expansion of financial advisory services to include debt retirement, review of reserve balance adequacy and insurance exposures. Motion carried unanimously.

### **ADJOURNMENT**

With no further business to come before the Committee, the meeting was adjourned at 7:28 p.m.

**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DU PAGE WATER COMMISSION  
HELD ON JANUARY 15, 2003**

The meeting was called to order at 3:50 p.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, B. Krajewski and J. Janicik. Also in attendance: Commissioner Chaplin, J. Holzwart, R. Martin, R. Skiba and P. Modaff (Village of Woodridge).

**PROPERTY INSURANCE COVERAGE**

The Committee discussed that the Commission was able to obtain only \$40 million of underground property insurance coverage. The original cost of the Commission's system of watermain is \$321 million. In addition, the Commission still has an equity interest in the 12-foot diameter tunnel connecting the Lexington pump station to the Chicago water supply. This tunnel originally cost over \$27 million. As of November 1, 2001, the Commission's broker estimated replacement cost for these facilities was nearly \$410 million.

Staff explained the Commission adopted a policy in 1992 of holding unencumbered cash in the amount of 5% of the cost of the Commission's original total construction costs. This amount was to be increased annually by the change in the Engineering News Record's construction index. This reserve currently stands at \$27.3 million.

Having cash available for emergency system repairs avoids borrowing under duress. It also allows for repairs to commence without waiting for the resolution of any questions of insurance coverage. The policy issue considered is the continuing appropriation of a 5% contingency reserve in the current insurance milieu.

Commissioner Tenison suggested the something less than 5% might be adequate. Because of budget timing, implementing any change in policy such as that may be difficult for May 1<sup>st</sup>, the General Manager stated. It was also noted that this is part of the overall financial review for which services of a financial advisor are being sought.

**FIVE YEAR CAPITAL PLAN**

The General Manager reviewed the changes made to the Five-Year Capital Plan. He advised the Committee that all such changes had been incorporated into the plan. Three scenarios were presented to the Committee. The first, as directed by the

Commission, contained a rate structure starting at \$1.65 per thousand gallons effective May 1, 2003 with \$0.05 increases each succeeding May 1<sup>st</sup>. Commissioner Poole requested the second scenario. It contains a flat \$1.65 per thousand gallons rate. A \$1.55 per thousand-gallon scenario was run at the request of Commissioner Thorn.

Commissioner Tenison asked if the Commission still needed sales tax revenues to fund its operations. Maybe it was time to voluntarily drop this source of funds.

Commissioner Poole thought this might be possible, but only after all systems construction is complete and when all outstanding bonds have been retired. In addition to the projects in the Five-Year Plan, the Commission has, in the past, considered acquiring the Lexington Pumping Station. Sales taxes may be an appropriate funding source if this opportunity arises.

Commissioner Janicik noted that the Commission's sales tax is within the purview of the State Legislature. The legislature could remove this revenue source at any time. If that happened, the Commission's water rate would increase significantly.

The General Manager agreed with that concern. However, it was noted that the sales tax was implemented by the legislature in 1986 after passage of an advisory referendum within the Commission's service area.

#### **RETENTION OF FINANCIAL ADVISOR**

The General Manager reviewed a summary of the responses received to the Commission's request for proposals (RFP's) for financial advisory services. He noted that only Speer Financial and Norene & Associates had served the Commission in this capacity. Also proposing were William Blair and Company, and North American Capital Opportunities, Inc. & Public Sector Group (individually and collectively). During the issue of the 2001 General Obligation Refunding Bonds, Ehlers & Associates had served only a limited role in pricing the bonds.

Commissioner Janicik noted that the proposal itself was too limited. The Committee wanted to consider an overall financial plan including possibly refunding or retiring outstanding bonds as well as review of fund retention policies and adequacy of insurance coverage.

Commissioner Poole asked about the cost for preparation of a disclosure document mentioned in one of the proposals. The General Manager stated that, if the revenue bonds were refunded, the underwriters' counsel would likely prepare such a document.

Commissioner Krajewski suggested an addendum to the RFP to expand the scope of financial advisory service. Commissioner Tenison asked if the addendum would go only to

the five firms that had proposed. As the process has already begun, the Committee consensus was to send the addendum to only those five firms.

Staff will prepare an addendum to the RFP. The expansion of scope of financial advisory services requested will include the refunding and/or retirement of outstanding bonds, as well as the review of reserve balance and insurance coverage adequacy.

### **ADJOURNMENT**

With no further business to come before the Committee, the meeting was adjourned at 5:05 p.m.





# DuPage Water Commission

## MEMORANDUM

TO: General Manager

FROM: Financial Administrator

DATE: March 28, 2003

SUBJECT: Notes of discussion of Finance Committee members of the DuPage Water Commission, March 12, 2003, no quorum being present

Committee members B. Krajewski and J. Janicik were the only members to attend the Finance Committee. There being no quorum present, no Committee meeting was held. Commissioner Krajewski and Janicik, however, reviewed and discussed the agenda items toward their presentation to the Commission at its regular meeting of March 12, 2003. Financial Administrator R. Skiba was present for these discussions.

Minutes of meeting – January 15, 2003. Commissioner Janicik noted a grammatical error in the third paragraph of the Five-Year Capital Plan section. Staff will make this correction.

Treasurer's report – February, 2003. The two Commissioners reviewed the February, 2003 Treasurer's Report. They will recommend acceptance of the report by the full Commission at its meeting of March 12, 2003.

Financial statements - February, 2003. The two Commissioners reviewed the February, 2003 Financial Statements. There were no questions from either Commissioner.

Accounts payable. The two Commissioners reviewed the accounts payable in the revised amount of \$3,255,839.71. Staff noted the revision was for a payment to Patrick Engineering. The two Commissioners will recommend approval of the accounts payable at the March 12, 2003 Commission meeting.

Cash and investment review. The two Commissioners reviewed the report from McGladrey & Pullen on the agreed upon procedures for reviewing the Commission's cash and investment transactions for the period of September 1 through December 31, 2002. The review covered 97% of the Commission's transfers during that period and 100% of the dollars invested during that period. The auditors noted that they could not give positive assurance that nothing occurred that would require adjustments to the Commission's books. However, there were no exceptions noted in the procedures that they followed.

Insurance coverage. Staff was directed to review the Commission's liability insurance coverage with its broker in light of the rating decline of the current carrier. The broker should provide options for the Committee to consider its April meeting.

Retention of financial advisor. Staff reported that all prospective financial advisors have been notified of the Commission need for an additional 60 days to review the proposals received January 8, 2003.

Other items. A memo regarding customer infrastructure reimbursements was introduced to the Committee. The Tentative Draft Management Budget was sent to the customers on February 18, 2003 meeting the contractual requirement. Notice was also sent March 3, 2003 of the budget hearing to be held in conjunction with the April 10, 2003 Commission meeting. January, 2003 quarterly financial statements were sent to customers, rating agencies and required repositories on February 17, 2003.

Board/Minutes/FC 2003-03.Notes Only.doc



# DuPage Water Commission

## MEMORANDUM

TO: General Manager  
FROM: Financial Administrator  
DATE: April 4, 2003  
SUBJECT: Financial Report – March 31, 2003

### **WATER FUND**

Timely payment (\$10.8 million) of the Commission's general obligation bonds was made on March 3<sup>rd</sup>. Operating 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 0.8%. 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 53.1% under budget.

Total revenue was 0.8% less than budget as of March 31<sup>st</sup>. Year-to-date, water sales were 0.9% less than budget. March sales tax collections (for sales made in December) were \$218,691 (6.5%) less than March, 2002. In the first eleven months of the fiscal year, collections were \$1,452,813 (4.7%) less than fiscal year 2001-02.

Investment yields were budgeted at 2.5% but have been under 2% all fiscal year. Declining interest rates have caused increases in the market value of the Commission's portfolio. This is the reason for the positive variance in this line item.

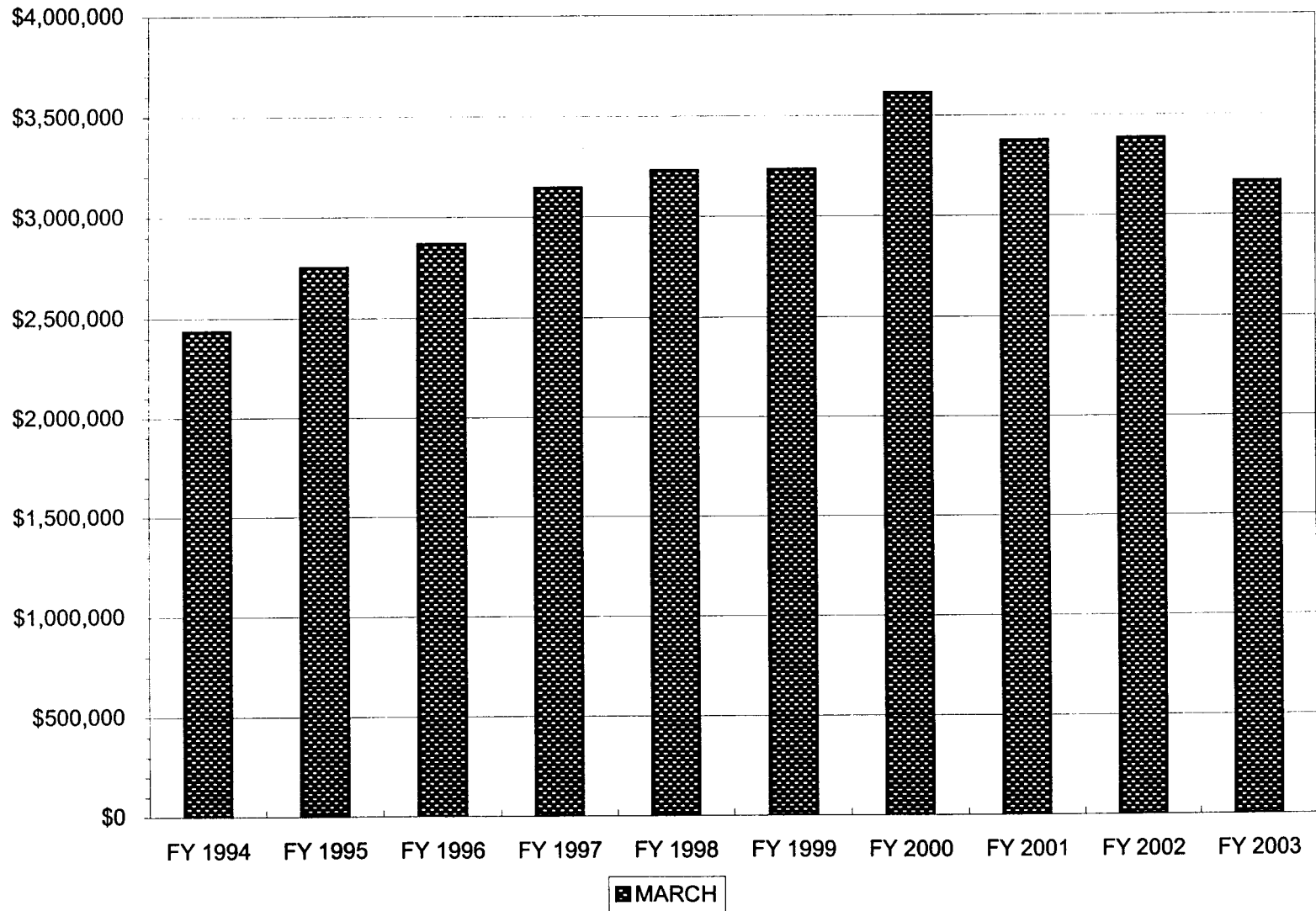
Other income represents construction reimbursements for additional customer facilities. These projects were delayed in the prior fiscal year, but are now, for the most part, completed. The over budget condition in the revenue item represents catching up on projects from last fiscal year.

### **INVESTMENT PORTFOLIO**

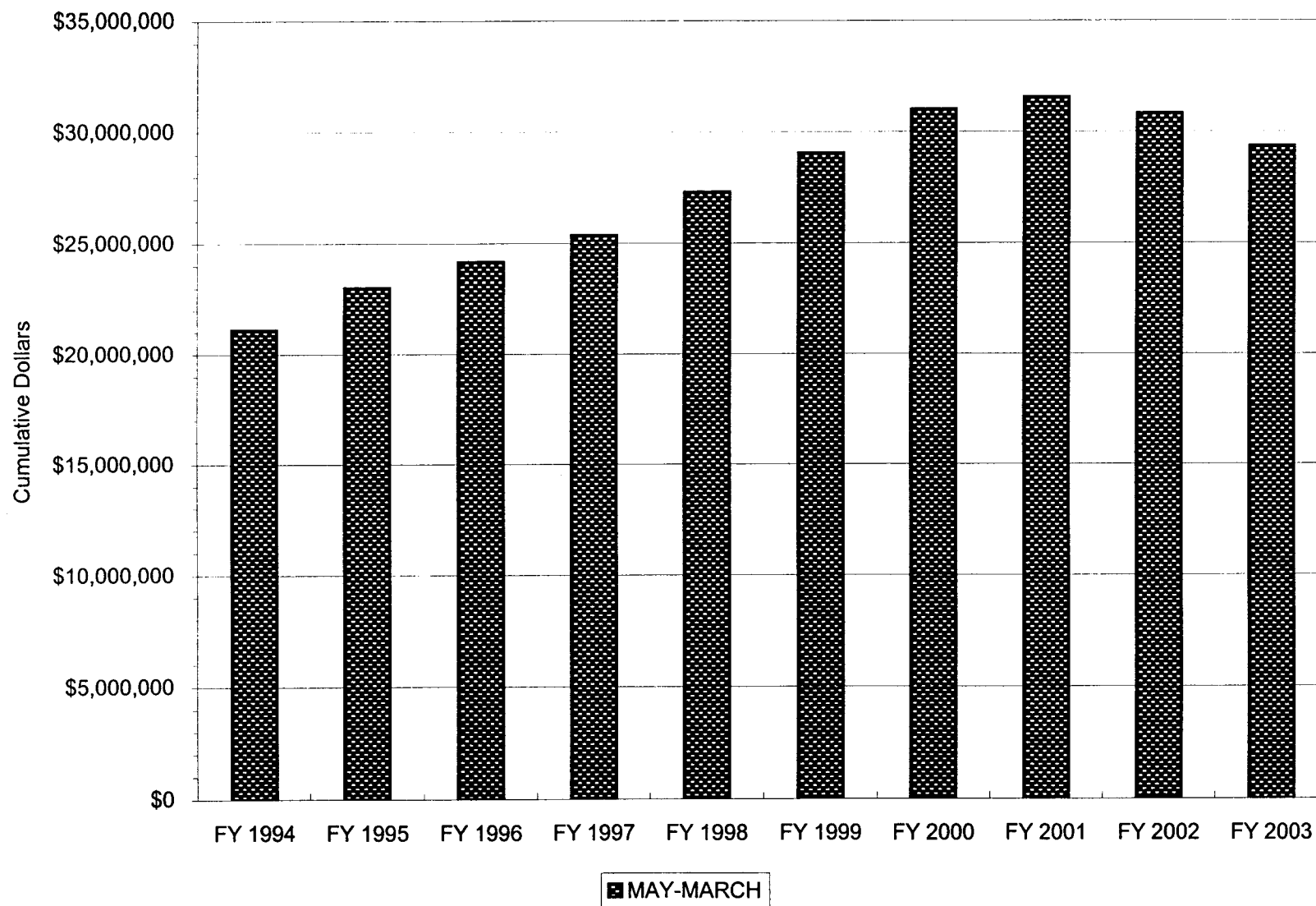
The Commission's investment portfolio market value totals \$199.1 million. It is earning approximately 1.35% based on market yield and 2.19% based on original purchase price. The benchmark yield adopted by the Commission was 1.08% at March 31, 2003.

Commission funds are invested as follows: United States Treasury obligations (41.3%), United States Agency obligations (31.0%), the Illinois Funds Money Market Fund (6.8%), the Illinois Funds Prime Funds (8.3%), certificates of deposit (12.6%). Government money market funds hold a negligible portion of the Commission's investments.

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



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



DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
BALANCE SHEET - ALL ACCOUNTS  
March 31, 2003

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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	147,423.10	142,097.49	4,153.96	0.00	0.00	1,171.65	0.00	0.00	0.00
INVESTMENTS	199,108,517.15	2,902,864.65	9,570,537.00	3,372,582.32	8,707,513.44	17,976,255.75	9,551,339.31	6,053,947.13	140,973,477.55
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	6,032,750.94	6,032,750.94	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	791,760.44	791,760.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST RECEIVABLE	1,893,235.91	0.00	0.00	80,529.50	207,893.06	0.00	135,937.50	56,250.00	1,412,625.85
INVENTORIES & PREPAIDS	608,778.57	608,778.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FIXED ASSETS	426,012,460.31	426,012,460.31	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	(65,555,207.32)	(65,555,207.32)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEFERRED WATER SUPPLY CONTRACT COST	13,001,741.67	13,001,741.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ASSETS</b>	<b>609,617,454.57</b>	<b>403,593,240.55</b>	<b>9,574,690.96</b>	<b>3,453,111.82</b>	<b>8,915,406.50</b>	<b>17,977,427.40</b>	<b>9,687,276.81</b>	<b>6,110,197.13</b>	<b>150,306,103.40</b>
<b>LIABILITIES &amp; EQUITY</b>									
ACCOUNTS PAYABLE	3,216,165.83	0.00	3,216,165.83	0.00	0.00	0.00	0.00	0.00	0.00
ACCRUED PAYROLL & TAXES	202,140.66	0.00	202,140.66	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	18,415,000.00	800,416.67	0.00	0.00	8,804,583.33	0.00	0.00	0.00	8,810,000.00
ACCRUED INTEREST	3,786,848.96	0.00	0.00	3,428,294.79	0.00	0.00	0.00	0.00	358,554.17
ACCRUED LIABILITIES	222,173.43	0.00	222,173.43	0.00	0.00	0.00	0.00	0.00	0.00
CONTRACT RETENTION	1,140,930.62	0.00	1,140,930.62	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	3,044,962.14	3,044,962.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LONG TERM BONDS PAYABLE	210,854,856.15	210,854,856.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>240,883,077.79</b>	<b>214,700,234.96</b>	<b>4,781,410.54</b>	<b>3,428,294.79</b>	<b>8,804,583.33</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>9,168,554.17</b>
<b>NET ASSETS</b>									
UNRESTRICTED FUNDS									
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES (a)	27,300,000.00	0.00	0.00	0.00	0.00	140,214.90	100,715.97	1,110,197.13	25,948,872.00
RESERVED FOR WATER RATE STABILIZATION	50,921,326.77	7,433,289.95	0.00	0.00	0.00	0.00	0.00	0.00	43,488,036.82
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	57,024,383.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57,024,383.86
<b>TOTAL UNRESTRICTED FUNDS</b>	<b>135,245,710.63</b>	<b>7,433,289.95</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>140,214.90</b>	<b>100,715.97</b>	<b>1,110,197.13</b>	<b>126,461,292.68</b>
RESTRICTED BY ORDINANCE/RESOLUTION	52,028,950.51	0.00	4,793,280.42	24,817.03	110,823.17	17,837,212.50	9,586,560.84	5,000,000.00	14,676,256.55
INVESTED IN PROPERTY PLANT AND EQUIPMENT	181,459,715.64	181,459,715.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>368,734,376.78</b>	<b>188,893,005.59</b>	<b>4,793,280.42</b>	<b>24,817.03</b>	<b>110,823.17</b>	<b>17,977,427.40</b>	<b>9,687,276.81</b>	<b>6,110,197.13</b>	<b>141,137,549.23</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>609,617,454.57</b>	<b>403,593,240.55</b>	<b>9,574,690.96</b>	<b>3,453,111.82</b>	<b>8,915,406.50</b>	<b>17,977,427.40</b>	<b>9,687,276.81</b>	<b>6,110,197.13</b>	<b>150,306,103.40</b>

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  
March 31, 2003

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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	140,973,477.55	52,909,044.24	74,892,740.11	13,171,693.20
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	1,412,625.85	527,864.58	850,656.25	34,105.02
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
<b>TOTAL ASSETS</b>	<b>150,306,103.40</b>	<b>53,436,908.82</b>	<b>83,663,396.36</b>	<b>13,205,798.22</b>
<b>LIABILITIES &amp; EQUITY</b>				
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	8,810,000.00	0.00	0.00	8,810,000.00
ACCRUED INTEREST	358,554.17	0.00	0.00	358,554.17
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
<b>TOTAL LIABILITIES</b>	<b>9,168,554.17</b>	<b>0.00</b>	<b>0.00</b>	<b>9,168,554.17</b>
<b>NET ASSETS</b>				
UNRESTRICTED FUNDS				
HELD FOR EMERGENCY REPAIRS AND OTHER CONTINGENCIES	25,948,872.00	9,948,872.00	16,000,000.00	0.00
RESERVED FOR WATER RATE STABILIZATION	43,488,036.82	43,488,036.82	0.00	0.00
RESERVED FOR THE ACQUISITION OF CAPITAL ASSETS	57,024,383.86	0.00	57,024,383.86	0.00
<b>TOTAL UNRESTRICTED FUNDS</b>	<b>126,461,292.68</b>	<b>53,436,908.82</b>	<b>73,024,383.86</b>	<b>0.00</b>
RESTRICTED BY ORDINANCE/RESOLUTION	14,676,256.55	0.00	10,639,012.50	4,037,244.05
INVESTED IN PROPERTY PLANT AND EQUIPMENT	0.00	0.00	0.00	0.00
<b>TOTAL NET ASSETS</b>	<b>141,137,549.23</b>	<b>53,436,908.82</b>	<b>83,663,396.36</b>	<b>4,037,244.05</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>150,306,103.40</b>	<b>53,436,908.82</b>	<b>83,663,396.36</b>	<b>13,205,798.22</b>



DU PAGE WATER COMMISSION  
WATER FUND  
GENERAL LEDGER  
STATEMENT OF REVENUES & EXPENDITURES  
March 31, 2003

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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	3,145,097.92	39,685,397.11	40,048,218.55	(362,821.44)	99.1%
FIXED COST REVENUES	847,063.17	9,317,694.77	9,317,694.83	(0.06)	100.0%
SUBSEQUENT CUSTOMER DIFFERENTIAL REVENUE	79,051.14	905,491.29	931,055.43	(25,564.14)	97.3%
EMERGENCY WATER SERVICE	379.50	10,384.05	0.00	10,384.05	N/A
SALES TAXES	3,166,409.39	29,348,335.88	31,258,364.33	(1,910,028.45)	93.9%
INVESTMENT INCOME	294,411.36	5,531,958.53	4,158,818.49	1,373,140.04	133.0%
OTHER INCOME	1,795.96	537,879.84	340,277.40	197,602.44	158.1%
<b>TOTAL REVENUE</b>	<b>7,534,208.44</b>	<b>85,337,141.47</b>	<b>86,054,429.03</b>	<b>(717,287.56)</b>	<b>99.2%</b>
<b>EXPENSES</b>					
PERSONAL SERVICES	189,471.71	2,099,118.87	2,234,039.73	134,920.86	94.0%
PROFESSIONAL SERVICES	42,861.84	394,607.35	228,827.95	(165,779.40)	172.4%
CONTRACTUAL SERVICES	87,878.06	276,761.62	679,479.46	402,717.84	40.7%
INSURANCE	11,702.00	659,356.49	1,405,073.54	745,717.05	46.9%
ADMINISTRATIVE COSTS	8,443.41	96,328.54	120,710.13	24,381.59	79.8%
WATER SUPPLY COSTS	3,356,140.41	42,663,158.61	42,339,862.53	(323,296.08)	100.8%
BOND INTEREST EXPENSE	1,094,812.78	12,255,578.44	13,949,914.91	1,694,336.47	87.9%
LAND AND RIGHT OF WAY	0.00	3,495.00	5,502.27	2,007.27	63.5%
DEPRECIATION/CAPITAL EQUIPMENT PURCHASES	530,677.42	5,862,531.08	6,147,912.66	285,381.58	95.4%
<b>TOTAL OPERATING EXPENSES</b>	<b>5,321,987.63</b>	<b>64,310,936.00</b>	<b>67,111,323.18</b>	<b>2,800,387.18</b>	<b>95.8%</b>
<b>NET OPERATING INCOME</b>	<b>2,212,220.81</b>	<b>21,026,205.47</b>	<b>18,943,105.85</b>	<b>2,083,099.62</b>	<b>111.0%</b>
CONSTRUCTION EXPENDITURES	109,054.93	5,695,653.66	7,602,664.39	1,907,010.73	74.9%
<b>NET FUND TRANSACTIONS</b>	<b>2,103,165.88</b>	<b>15,330,551.81</b>	<b>11,340,441.46</b>	<b>3,990,110.35</b>	<b>135.2%</b>
BEGINNING NET ASSETS		347,708,171.31			
ADD CONSTRUCTION EXPENDITURES TO BE CAPITALIZED		5,695,653.66			
<b>ENDING NET ASSETS</b>		<b>368,734,376.78</b>			

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 03/31/03	BID PRICE 03/31/03
<b>Water Fund Depository Accounts (WF-1210)</b>											
Illinois Funds-Money Market	1.205%	03/31/03	04/01/03	1.205%	1.205%	\$ 1,127,114.36	\$ 1,127,114.36	\$ -	\$ 1,127,114.36	\$ -	100.000
Illinois Funds-Prime Fund	1.275%	03/31/03	04/01/03	1.275%	1.275%	1,775,750.29	1,775,750.29	-	1,775,750.29	-	100.000
				1.248%	1.248%	\$ 2,902,864.65	\$ 2,902,864.65	\$ -	\$ 2,902,864.65	\$ -	
<b>Water Fund Oper. &amp; Maint. Acct. (WF-1211)</b>											
Illinois Funds-Money Market	1.205%	03/31/03	04/01/03	1.205%	1.205%	\$ 4,562,364.91	\$ 4,562,364.91	\$ -	\$ 4,562,364.91	\$ -	100.000
Illinois Funds-Prime Fund	1.275%	03/31/03	04/01/03	1.275%	1.275%	5,008,172.09	5,008,172.09	-	5,008,172.09	-	100.000
				1.242%	1.242%	\$ 9,570,537.00	\$ 9,570,537.00	\$ -	\$ 9,570,537.00	\$ -	
<b>Revenue Bond Interest Account (WF-1212)</b>											
One Group Government Money Market	0.570%	03/31/03	04/01/03	0.570%	0.570%	\$ 28.87	\$ 28.87	\$ -	\$ 28.87	\$ 5.53	100.000
U. S. Treas. Notes (Bank One Trust Company)	5.750%	11/07/02	04/30/03	1.214%	0.850%	686,000.00	688,358.13	(12,540.93)	700,899.06	16,435.42	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	12/04/02	04/30/03	1.191%	0.850%	670,000.00	672,303.13	(10,050.00)	682,353.13	16,052.08	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	01/09/03	04/30/03	1.145%	0.850%	669,000.00	671,299.69	(7,108.12)	678,407.81	16,028.13	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	02/06/03	04/30/03	1.130%	0.850%	668,000.00	670,296.25	(4,749.06)	675,045.31	16,004.17	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	03/06/03	04/30/03	1.152%	0.850%	668,000.00	670,296.25	(2,348.44)	672,644.69	16,004.17	100.344
				1.167%	0.850%	\$ 3,361,028.87	\$ 3,372,582.32	\$ (36,796.55)	\$ 3,409,378.87	\$ 80,529.50	
<b>Revenue Bond Principal (WF-1213)</b>											
One Group Government Money Market	0.570%	03/31/03	04/01/03	0.570%	0.570%	\$ 686.24	\$ 686.24	\$ -	\$ 686.24	\$ 6.58	100.000
U. S. Treas. Notes (Bank One Trust Company)	5.750%	06/11/02	04/30/03	2.154%	0.850%	1,581,000.00	1,586,434.69	(44,156.83)	1,630,591.52	37,878.13	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	07/10/02	04/30/03	2.148%	0.850%	768,000.00	770,640.00	(21,330.00)	791,970.00	18,400.00	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	08/05/02	04/30/03	1.556%	0.850%	765,000.00	767,629.69	(20,768.55)	788,398.24	18,328.13	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	09/13/02	04/30/03	1.638%	0.850%	765,000.00	767,629.69	(17,033.20)	784,662.89	18,328.13	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	10/07/02	04/30/03	1.459%	0.850%	172,000.00	172,591.25	(3,554.22)	176,145.47	4,120.83	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	10/08/02	04/30/03	1.460%	0.850%	591,000.00	593,031.56	(12,050.86)	605,082.42	14,159.38	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	11/07/02	04/30/03	1.214%	0.850%	913,000.00	916,138.44	(16,690.78)	932,829.22	21,873.96	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	12/04/02	04/30/03	1.191%	0.850%	782,000.00	784,688.13	(11,729.99)	796,418.12	18,735.42	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	01/09/03	04/30/03	1.145%	0.850%	781,000.00	783,684.69	(8,298.13)	791,982.82	18,711.46	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	02/06/03	04/30/03	1.147%	0.850%	780,000.00	782,681.25	(5,514.84)	788,196.09	18,687.50	100.344
U. S. Treas. Notes (Bank One Trust Company)	5.750%	03/06/03	04/30/03	1.152%	0.850%	779,000.00	781,677.81	(2,738.67)	784,416.48	18,663.54	100.344
				1.537%	0.850%	\$ 8,677,686.24	\$ 8,707,513.44	\$ (163,866.07)	\$ 8,871,379.51	\$ 207,893.06	
<b>Revenue Bond Debt Svc. Reserve (WF-1214)</b>											
U. S. Treas. Bills (Bank One Trust)	0.000%	10/11/02	04/10/03	1.563%	1.160%	\$ 17,982,000.00	\$ 17,976,255.75	\$ 132,582.28	\$ 17,843,673.47	\$ -	99.968
				1.563%	1.160%	\$ 17,982,000.00	\$ 17,976,255.75	\$ 132,582.28	\$ 17,843,673.47	\$ -	
<b>Water Fund Oper. &amp; Maint. Res. (WF-1215)</b>											
Illinois Funds-Money Market	1.205%	03/31/03	04/01/03	1.205%	1.205%	\$ 174,882.21	\$ 174,882.21	\$ -	\$ 174,882.21	\$ -	100.000
Illinois Funds-Prime Fund	1.275%	03/31/03	04/01/03	1.275%	1.275%	188,644.60	188,644.60	-	188,644.60	-	100.000
U. S. Treas. Notes (Bank One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	1.090%	5,000,000.00	5,095,312.50	(23,632.81)	5,118,945.31	79,687.50	101.906
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	1.170%	4,000,000.00	4,092,500.00	62,500.00	4,030,000.00	56,250.00	102.313
				2.897%	1.130%	\$ 9,363,526.81	\$ 9,551,339.31	\$ 38,867.19	\$ 9,512,472.12	\$ 135,937.50	

FUND SOURCE	COUPON RATE	PURCHASE DATE	MATURITY DATE	PURCHASED TO YIELD	MARKET YIELD	PAR VALUE	MARKET	AMORTIZED DISCOUNT (PREMIUM)	PURCHASE PRICE	ACCRUED INTEREST 03/31/03	BID PRICE 03/31/03
<b>Water Fund Depreciation Account (WF-1216)</b>											
Illinois Funds-Money Market	1.205%	03/31/03	04/01/03	1.205%	1.205%	\$ 1,208,148.20	\$ 1,208,148.20	\$ -	\$ 1,208,148.20	\$ -	100.000
Illinois Funds-Prime Fund	1.275%	03/31/03	04/01/03	1.275%	1.275%	753,298.93	753,298.93	-	753,298.93	-	100.000
U. S. Treas. Notes (RBC Dain Rauscher)	3.375%	06/13/02	04/30/04	2.957%	1.170%	4,000,000.00	4,092,500.00	62,500.00	4,030,000.00	56,250.00	102.313
				2.398%	1.190%	\$ 5,961,447.13	\$ 6,053,947.13	\$ 62,500.00	\$ 5,991,447.13	\$ 56,250.00	
<b>Water Fund General Account (WF-1217)</b>											
Illinois Funds-Money Market	1.205%	03/31/03	04/01/03	1.205%	1.205%	\$ 2,115,269.99	\$ 2,115,269.99	\$ -	\$ 2,115,269.99	\$ -	100.000
Illinois Funds-Prime Fund	1.275%	03/31/03	04/01/03	1.275%	1.275%	4,484,149.25	4,484,149.25	-	4,484,149.25	-	100.000
U. S. Treas. Strip-int (ABN AMRO)	0.000%	03/19/02	05/15/03	2.661%	1.020%	10,000,000.00	9,987,500.00	288,724.50	9,698,775.50	-	99.875
F.H.L.B. (D. Rauscher)	6.875%	11/30/01	08/15/03	2.951%	1.163%	5,000,000.00	5,105,500.00	(218,818.14)	5,324,318.14	42,968.75	102.110
F.H.L.B. (D L J)	3.750%	11/13/02	02/13/04	1.569%	1.265%	10,000,000.00	10,213,500.00	(56,867.60)	10,270,367.60	46,875.00	102.135
U. S. Treas. Notes (Dain Rauscher)	7.250%	01/31/02	05/15/04	3.204%	1.160%	10,000,000.00	10,671,875.00	(212,425.00)	10,884,300.00	271,875.00	106.719
F.H.L.B. (RBC D. Rauscher)	3.625%	06/14/02	10/15/04	3.403%	1.390%	10,000,000.00	10,331,250.00	283,593.75	10,047,656.25	166,145.83	103.313
				2.557%	1.211%	\$ 51,599,419.24	\$ 52,909,044.24	\$ 84,207.51	\$ 52,824,836.73	\$ 527,864.58	
<b>Sales Tax Funds (WF-1230)</b>											
Illinois Funds-Money Market	1.205%	03/31/03	04/01/03	1.205%	1.205%	\$ 4,314,776.04	\$ 4,314,776.04	\$ -	\$ 4,314,776.04	\$ -	100.000
Illinois Funds-Prime Fund	1.275%	03/31/03	04/01/03	1.275%	1.275%	4,382,701.57	4,382,701.57	-	4,382,701.57	-	100.000
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	159,575.34	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	23,589.04	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	125,856.64	100.000
F.H.L.B. (D. Rauscher)	6.875%	11/30/01	08/15/03	2.951%	1.163%	5,000,000.00	5,105,500.00	(218,818.14)	5,324,318.14	42,968.75	102.110
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	736.41	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	54,575.34	100.000
Cert. of Deposit (Oak Brook Bank)	1.700%	01/15/03	01/15/04	1.700%	1.700%	6,000,000.00	6,000,000.00	-	6,000,000.00	20,958.90	100.000
U. S. Treas. Notes (Bank One Capital Markets)	4.250%	12/12/01	11/15/03	2.967%	1.090%	5,000,000.00	5,095,312.50	(23,632.82)	5,118,945.32	79,687.50	101.906
F.H.L.B. (ABN AMRO)	3.375%	06/21/02	05/14/04	3.002%	1.336%	10,000,000.00	10,225,700.00	156,950.00	10,068,750.00	126,562.50	102.257
F.H.L.B. (RBC D. Rauscher)	3.625%	09/12/02	10/15/04	2.400%	1.390%	10,000,000.00	10,331,250.00	83,450.00	10,247,800.00	166,145.83	103.313
F.H.L.B. (RBC D. Rauscher)	4.000%	10/17/02	02/15/05	2.462%	1.580%	10,000,000.00	10,437,500.00	93,000.00	10,344,500.00	50,000.00	104.375
				2.428%	1.689%	\$ 73,697,477.61	\$ 74,892,740.11	\$ 90,949.04	\$ 74,801,791.07	\$ 850,656.25	
<b>2001 G. O. Bonds Debt Service (WF-1243)</b>											
ABN AMRO Government Money Market	1.054%	03/31/03	04/01/03	1.054%	1.054%	\$ 1,740.38	\$ 1,740.38	\$ -	\$ 1,740.38	\$ 666.79	100.000
U. S. Treas. Notes (LaSalle Bank)	3.625%	02/28/03	08/31/03	1.156%	1.080%	1,955,000.00	1,974,550.00	(4,352.93)	1,978,902.93	5,905.73	101.000
U. S. Treas. Notes (LaSalle Bank)	3.000%	02/28/03	02/29/04	1.219%	1.140%	10,388,000.00	10,560,051.25	(10,956.09)	10,571,007.34	25,970.00	101.656
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/05/03	02/29/04	1.052%	1.140%	287,000.00	291,753.44	(717.50)	292,470.94	717.50	101.656
U. S. Treas. Notes (LaSalle Bank)	3.000%	03/07/03	02/29/04	1.073%	1.140%	338,000.00	343,598.13	(739.37)	344,337.50	845.00	101.656
				1.202%	1.131%	\$ 12,969,740.38	\$ 13,171,693.20	\$ (16,765.89)	\$ 13,188,459.09	\$ 34,105.02	
TOTAL ALL FUNDS				2.190%	1.356%	\$ 196,085,727.93	\$ 199,108,517.15	\$ 191,677.51	\$ 198,916,839.64	\$ 1,893,235.91	
March 31, 2003	90 DAY US TREASURY YIELD			1.080%							

## **Rick Skiba**

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**From:** Jim\_Mochel@ajg.com  
**Sent:** Monday, March 31, 2003 10:08 AM  
**To:** Rick Skiba  
**Subject:** Rural Special Districts Insurance Services (RSD)

Rick,

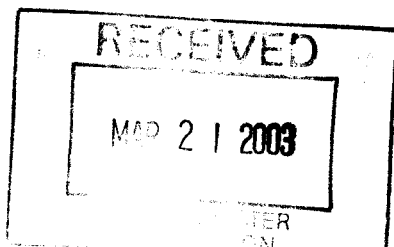
We're aware that RSD has found a new insurance company to replace Specialty National Insurance Company. We have asked them to cancel your current policy and re-write it in American Alternative Insurance Company (AAIC) as soon as they have their filings in place in Illinois. We expect to be able to keep the same pricing as your current policy.

In the mean time, we're trying to secure a "cut-through" endorsement to the Specialty National policy.

Jim

\*\*\*\*\*

James R. Mochel, CPCU, ARM  
ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC.  
Public & Non-profit Division  
Two Pierce Place  
Itasca, IL 60143-3141  
Tel. 630/285-4350, Fax 630/285-4062  
jim\_mochel@ajg.com



RURAL SPECIAL DISTRICTS  
Insurance Services

### IMPORTANT NOTICE

Date: March 14, 2003

To: All Current Policyholders

Re: Announcement of New Carrier

We are very pleased to announce the selection of American Alternative Insurance Corporation (AAIC) as the new carrier for our Rural Special Districts program. AAIC is a wholly owned subsidiary of American Re Corporation and has an A.M. Best Rating of A+XV (Superior).

Presently, American Alternative Insurance Corporation is in the process of making the required policy filings with the various State Insurance Departments. As these filings become effective, we will begin placing business with AAIC. Providing your organization fits into one of the following eligible classes, upon expiration you will be offered coverages with American Alternative Insurance Corporation, subject to underwriting standards, pricing guidelines and approved filings:

Eligible Classes:	Water, Sewer, Irrigation, Reclamation, Conservation, Cemetery Districts, and Fire Districts/Emergency Service Organizations
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**Please note that all policyholders will receive the attached (sample) non-renewal notice from Specialty National Insurance Company prior to the policy expiration date. This is a required formal notice advising you that Specialty National Insurance Company will no longer be the carrier for our program and will not be renewing your coverage. However, Specialty National will continue to honor all in-force policies for the entire policy term.**

We will also be advising your insurance broker regarding this transition in carriers and we are very confident that your broker will be pleased with the reputation and the superior financial strength rating of American Alternative Insurance Corporation.

Once again, we are very excited about our new carrier relationship and our ability to continue meeting your insurance needs. We wish to thank you for making Rural Special Districts one of the largest special districts programs in the United States with over 3,500 insureds. We look forward to continuing to provide you with the highest quality in coverage and service.

If you should have any questions, please feel free to contact either your current local agent or me at (888) 477-3007 Extension 36.

Sincerely,

Paul Fuller, CPCU  
President, Rural Special Districts Insurance Services

**NOTICE OF CANCELLATION, NONRENEWAL, CONDITIONED RENEWAL OR CHANGE IN POLICY PREMIUM/TERMS**  
(California)

NAME AND  
ADDRESS  
OF INSURANCE  
COMPANY

NAME AND  
ADDRESS  
OF INSURED

KIND OF POLICY:	
POLICY/APPLICATION/BINDER NO.:	
EFFECTIVE DATE OF NOTICE:	
(DATE)	(HOUR-STANDARD TIME AT THE ADDRESS OF THE INSURED)
DATE OF MAILING:	
NAME AND ADDRESS OF AGENT/BROKER:	

(Applicable item marked ☒)

**Cancellation**

- ☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that your insurance will cease at and from the hour and date mentioned above.
- ☐ **Reason for cancellation:** Nonpayment of premium.
- See the "Important Notices" section below for other information that may apply.

- ☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that your insurance will cease at and from the hour and date mentioned above.
- Reason(s) for cancellation:** \_\_\_\_\_

If this cancellation pertains to a policy providing insurance on real property used predominantly for residential purposes, consisting of not more than four dwelling units, or on personal property other than used in the conduct of a commercial or industrial enterprise, or for legal liability primarily for risks other than those arising from the conduct of a commercial or industrial enterprise, and the policy, if an original, has been in effect 60 days or more or it is a renewal, upon your written request we will furnish the facts on which the cancellation is based.

See the "Important Notices" section below for other information that may apply.

**Premium  
Adjustment**

- ☐ A bill for the premium earned to the time of cancellation will be forwarded in due course.
- ☐ Premium adjustment will be made in accordance with California law and the terms of the policy.
- ☐ Enclosed is \$ \_\_\_\_\_, being the amount of return premium at pro rata rate for the unexpired term of this policy.
- ☐ The excess of paid premium, if any, above the pro rata premium for the expired time, (if not tendered) will be refunded upon demand.
- ☐ Other: \_\_\_\_\_

**Nonrenewal**

- ☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that the above mentioned policy will expire effective at and from the hour and date mentioned above and the policy will NOT be renewed.

**Reason(s) for nonrenewal:** \_\_\_\_\_

See the "Important Notices" section for other information that may apply.

**Conditioned  
Renewal**

- ☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that the above mentioned policy, which will expire effective at and from the hour and date mentioned above, will be renewed, however, the renewal will be conditioned on one or more of the following changes being made in the renewal policy (such being a reduction of limits, elimination of coverages, increase in deductibles or change in the rate upon which the premium is based):

**Description of change(s) and/or the amount of any premium increase (description continued on separate sheet if necessary):** \_\_\_\_\_

**Change in  
Policy  
Premium/  
Terms**

- ☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that there will be a premium increase, reduction in limits and/or change in policy conditions applying to the above mentioned policy effective at and from the hour and date mentioned above. The changes are described in this notice.

**Description of change(s) and/or the amount of any premium increase (description continued on separate sheet if necessary):** \_\_\_\_\_

**Reason(s) for change(s):** \_\_\_\_\_

NOTICE OF CANCELLATION, NONRENEWAL, CONDITIONED RENEWAL OR CHANGE IN POLICY PREMIUM/TERMS  
(California)

NAME AND  
ADDRESS  
OF INSURANCE  
COMPANY

KIND OF POLICY:
POLICY/APPLICATION/BINDER NO.:
EFFECTIVE DATE OF NOTICE:
(DATE) (HOUR-STANDARD TIME AT THE ADDRESS OF THE INSURED)
DATE OF MAILING:
NAME AND ADDRESS OF AGENT/BROKER:

NAME AND  
ADDRESS  
OF INSURED

Important  
Notices

- ☐ **Automobile Assigned Risk Plan Information:** Pursuant to Section 652 of the Insurance Code you are hereby notified that:
1. The California Automobile Assigned Risk Plan provides a means by which applicants for automobile bodily injury and property damage liability insurance may be assigned to an insurer authorized to transact liability insurance.
  2. If you are unable to procure such insurance through ordinary methods and you are in good faith eligible for such insurance in accordance with the standards of the Plan, it is possible for you to obtain it through the Plan.
  3. Application forms for insurance through the Plan may be obtained from and submitted through (a) any licensed insurance agent or broker or (b) the Plan itself at 575 Market Street, Suite 3000, San Francisco, CA 94105.
- ☐ **California FAIR Plan Association:** You have been notified herewith that this Company will no longer be carrying your insurance. If you wish to replace your policy you should make an effort to obtain insurance through another company in the voluntary market. If you have difficulty in procuring replacement coverage in the voluntary market, you possibly may obtain basic fire insurance coverages through the California Fair Plan Association. Insurance through the Association is available only in certain areas of the state. For further information or assistance in obtaining basic property insurance through the FAIR Plan, please contact your agent or broker or the Plan at 1-213-487-0111 or 1-800-339-4099 (in California only).
- ☐ **Additional Information Regarding the Reason(s) for Cancellation/Nonrenewal:** You have the right to know the specific items of information that support the reason(s) given for this decision and the identity of the source of that information. You also have the right to see and obtain copies of documents relating to this decision.
- If you ask us to correct, amend, or delete any information about you in our files and if we refuse to do so, you have the right to give us a concise statement of what you believe is the correct information. We will put your statement in our file so that anyone reviewing your file will see it.
- If you would like additional information concerning this action, state law requires that you submit a written request within ninety (90) business days of the date this notice was mailed to you. Please send your request to:

(Name and Address of the person or department to contact for additional information.)

- ☐ **Consumer Report:** In compliance with the Fair Credit Reporting Act (Public Law 91-508) and the Consumer Credit Reform Act of 1996, you are hereby informed that the action taken above is being taken wholly or partly because of information contained in a consumer report from the following consumer reporting agency:
- (Name) \_\_\_\_\_ (Phone Number) \_\_\_\_\_
- (Address) \_\_\_\_\_

Please see additional information regarding the Consumer Credit Reform Act for a disclosure of your rights under this federal law.

Additional Information regarding your rights under the Consumer Credit Reform Act

Pursuant to the Consumer Credit Reform Act of 1996, effective September 30, 1997, you are informed that:

The consumer reporting agency identified on this form did not make any decisions regarding the stated insurance policy. Therefore, the consumer reporting agency would not be able to provide you with the specific reasons why the insurance company is taking the present action.

You have the right to obtain within 60 days of the receipt of this notice a free copy of your consumer report from the consumer reporting agency which has been identified on this form.

You have the right to dispute inaccurate information by contacting the consumer reporting agency directly. Once you have directly notified the consumer reporting agency of your dispute, the agency must, within a reasonable period of time reinvestigate and record the current status of the disputed information. If after reinvestigation, such information is found to be inaccurate or unverifiable, such information must be promptly deleted from your records. If the reinvestigation does not resolve the dispute, you may file a brief statement setting forth the nature of the dispute with the consumer reporting agency. Your filed statement will then be included or summarized in any subsequent consumer report containing the information in question.

For complete information regarding the Federal Consumer Credit Protection Law please refer to The Code of the Laws of the United States of America, Title 15, Chapter 41, Subchapter III, (15 U.S.C. §1681 et seq.).

AUTHORIZED REPRESENTATIVE



# **DuPage Water Commission**

## **MEMORANDUM**

**TO:** Alan Poole, Greg Wilcox, Richard Thorn and William Mueller

**FROM:** Michael Vondra, Chairman

**DATE:** April 4, 2003

**SUBJECT:** Possible Refunding of 1993 Revenue Bonds

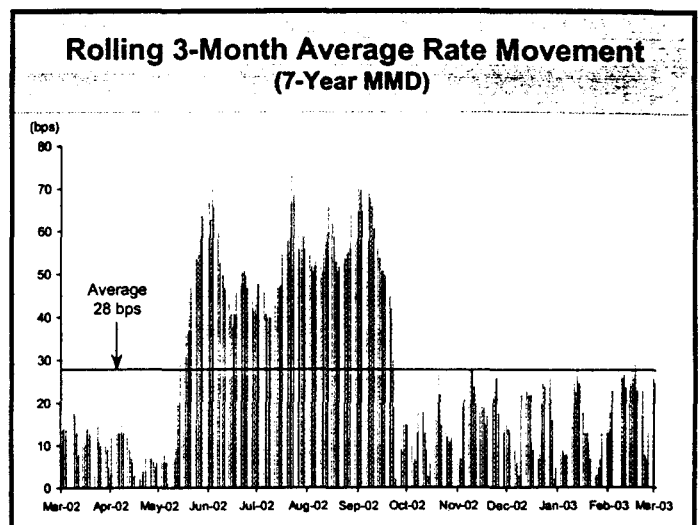
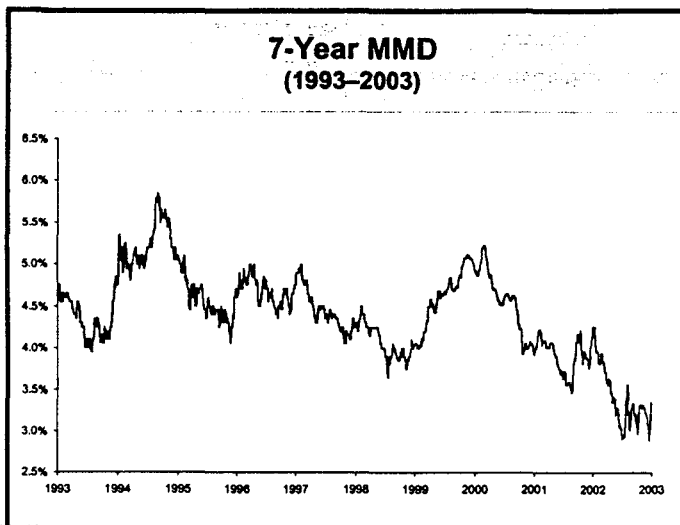
As you know the Commission was informed in September 2002 that a refunding opportunity existed, in which the Commission's estimated NPV savings was approximately \$7M. This matter was temporarily tabled to allow the Commission to examine its reserve policies and the possibility of paying down existing revenue bonds.

The Commission recently received an unsolicited proposal from Goldman Sachs (please see attached) indicating that more favorable interest rates have increased this savings to an estimated \$10.8M.

This item appears on the regular Finance Committee agenda and will be considered by the full Commission at its regular meeting. Nevertheless, I would like to meet with the above named individuals on an ad hoc basis just before the Finance Committee to offer some thoughts and comments on how to approach this issue in the event the Commission wishes to accelerate its time table to take advantage of this savings.

Since the Finance Committee is meeting at 6:30p.m. I would suggest getting together at 6:15p.m.





### INTEREST RATE SENSITIVITY ANALYSIS

We prepared a sensitivity analysis of the Commission's refunding savings relative to interest rate movements. On average, every 10 basis point change in rates affect savings by approximately \$870,000.

<b>DuPage Water Commission Refunding of the 1993 Bonds</b>				
<b>Scenario</b>	<b>Arbitrage Yield</b>	<b>True Interest Cost</b>	<b>Net PV Savings</b>	<b>Loss/Gain in Savings from Current market</b>
Rates Rally 30 bps	3.15%	3.28%	\$13,476,173	\$2,704,608
Rates Rally 20 bps	3.25	3.38	12,567,455	1,795,891
Rates Rally 10 bps	3.36	3.48	11,665,927	894,362
<b>Current market</b>	<b>3.46%</b>	<b>3.58%</b>	<b>\$10,771,565</b>	
Rates Rise 10 bps	3.56	3.69	9,883,907	(887,658)
Rates Rise 20 bps	3.66	3.66	9,003,693	(1,767,872)
Rates Rise 30 bps	3.76	3.89	8,129,621	(2,641,944)
Rates Rise 40 bps	3.86	3.99	7,263,803	(3,507,761)
Rates Rise 50 bps	3.96	4.09	6,403,650	(4,367,915)
Rates Rise 75 bps	4.21	4.34	4,284,100	(6,487,464)
Rates Rise 100 bps	4.47	4.60	2,206,535	(8,565,029)

### III. TIMING OF THE COMMISSION'S REFUNDING BOND ISSUE AND HEDGING INTEREST RATE RISK

#### TIMING OF THE REFUNDING BOND ISSUE

Given today's low interest rate levels, we recommend that the Commission refund the 1993 Bonds as soon as feasible.

Alternative future refunding dates after May 1, 2003 are 90 days or less prior to any interest payment date of May 1 or November 1, the call dates prescribed under the Bond Resolution. The 90-day limitation is to avoid having the bonds construed as 'advance refunding' bonds for tax law purposes.

#### HEDGING INTEREST RATE RISK THROUGH RATE LOCKS

If the Commission is uncertain as to the exact timing of the refunding bonds, given interest rate volatility, we recommend that the Commission consider hedging itself by locking in current tax-exempt interest rates in advance of the future refunding issue. Specifically, the Commission should explore the use of an Interest Rate Lock. This product will allow the Commission to prepare its bond issue for the market while eliminating the risk that rates could be higher once the structuring process is complete.

#### INTEREST RATE LOCKS

The mechanics of an Interest Rate Lock are straightforward. First, the Commission establishes the expected amortization schedule for its upcoming bond issue. (The Commission can change its amortization schedule in the future, but a base case structure is needed in order to execute a Rate Lock.) Second, the Commission establishes its hedging period. As we describe below, Goldman Sachs' Rate Lock structure includes a pro-rata cost feature to reduce the expense of hedging if the Commission comes to market earlier than expected, but a final maturity of the hedge needs to also be established up front in order to execute. The last step is then to execute the transaction.