

**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DUPAGE WATER COMMISSION  
HELD ON THURSDAY, APRIL 16, 2015  
600 EAST BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

The meeting was called to order at 6:09 P.M.

Committee members in attendance: P. Suess, R. Gans, J. Pruyn, and J. Zay (arrived at 6:11 P.M.)

Committee members absent: and D. Russo

Non-Committee members in attendance: none

Also in attendance: J. Spatz, T. McGhee, C. Peterson, D. Ellsworth, and a Representative from PFM

**Minutes**

Commissioner Pruyn moved to approve the Minutes of the Regular Committee Meeting of March 19, 2015 of the Finance Committee. Seconded by Commissioner Gans and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

**Approval of Reconciliations**

Treasurer Ellsworth stated that he had reviewed and approved the journal entries and bank reconciliations for the month of March.

Terry McGhee left the meeting at 6:10 P.M.

**Treasurer's Report – March 2015**

Treasurer Ellsworth stated that he had provided the Committee with a written summary of the March Treasurer's Report. Cash and Investments were \$97.4M and were up by \$7.0M from last month due to timing of collections.

Treasurer Ellsworth discussed the detailed investment schedules, individual account balances and market yield. Treasurer Ellsworth noted the purchase of \$1.2M in Supranational securities. He noted that the Commission asked PFM to discuss later in the meeting the investment.

Cash and investments increased by over \$27.5M over the past eleven months. Market yield on the portfolio was at 74 basis points, down slightly from the prior month. The

weighted-average maturity of the Commission's investments has increased to just under two years.

Treasurer Ellsworth noted that on the Statement of Cash Flows shows the breakdown of the \$27.5M increase year-to-date. He stated that all targeted reserve levels were met or exceeded targets.

Commissioner Gans asked Treasurer Ellsworth if the Commission's investments are actively managed. He noted that the Commission had hired PFM to actively manage the investments. Commissioner Pruyn asked about the increase in the Money Market accounts in March. Treasurer Ellsworth noted the higher than normal cash collections in the month and Danny Nelson from PFM noted that some Commercial Paper had matured in the month. It was mentioned that the Money Market balances were expected to decrease in April based upon the request for Board action that was to be discussed later in the meeting.

Later in the meeting, Danny Nelson, from PFM, reviewed with the Finance Committee what Supranational Bonds are and under what part of the Commission's investment policy PFM believed these types of investments are permissible. The Supranational Bonds are considered instrumentalities because there are U.S. representatives on the Board or U.S. is a shareholder and has been approved by an Act of Congress. More well-known Supranational entities are World Bank and IMF; however, the African Development bank is similar in structure and a "Aaa" rated investment. The debt is U.S. dollar denominated. The reason for expanding to these bonds was for slightly higher returns, the decline in Freddie Mac and Fannie May (traditional Agency) debt in the market and diversity in the portfolio. He described that this market is liquid and the bonds have been around for a while.

Commissioner Pruyn then discussed with Mr. Nelson whether the debt guaranteed by the U.S. and what types of collateralization support the notes. The discussion continued to detail out why the African Development Bonds were chosen and additional specifics regarding Supranational debt. Chairman Suess asked how much of this particular bond has been purchased by PFM for their clients. The response was approximately \$100M for clients nationwide.

Chairman Suess and Treasurer Ellsworth asked Commission staff to bring to the Finance Committee next month a draft version of the Investment Policy revising the language to limit the amount of Supranational Bonds as an approved instrumentality investment to no more than 5% of the total portfolio.

### O-2-15

General Manager Spatz noted a couple of small changes that were made to the budget that was being presented as final in the Board meeting. The changes include revisions to revenue items from emergency connections and the description of an expense item.

**O-3-15**

General Manager Spatz discussed that this ordinance is required by the Commission's charter customer agreement even though the amount is zero in the current year. He stated that this amount does not strictly have to be for the payment of bonds as it has been, and would not likely be reinstated in the near term.

**Transfer of Funds**

General Manager Spatz detailed that the Commission would be getting a better rate of return if it funded the various reserve accounts to meet Fiscal Year 2015/2016 targets rather than waiting. The amount of funds transferred would be slightly over \$9M from the General Fund.

**Baker Tilly Contract**

General Manager Spatz stated the Commission continues to be satisfied with the services provided by Baker Tilly. The contract would hold prices unchanged for two years with an optional third year.

Commissioner Pruyn moved to recommend to the Board O-2-15, O-3-15, the Transfer of Funds, and the Baker Tilly contract in one motion. Seconded by Commissioner Gans and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

**Financial Statements – March 2015**

General Manager Spatz briefly reviewed the proposed format for the Revenue and Expense statements going forward. The statements would show both the seasonal and total budget compared to YTD activity.

Commissioner Pruyn asked General Manager Spatz if the Commission is moving all future rate increases to May 1<sup>st</sup> or the beginning of each fiscal year. General Manager Spatz stated that any future rate increases should be on May 1<sup>st</sup> of each year, as long as the City of Chicago maintains their current plan of not raising their rates until June 1<sup>st</sup> of each year. Chairman Zay then described how in the past the delay in water rate increases contributed to the problems the Commission experienced.

General Manager Spatz discussed one account that exceeded management budget in March, one that was to exceed the management budget in April and one that may go over budget in April. Account 60-661202, Meter Station electric, due to increased pumping of water to Schaumburg, additional costs for the new tank mixing stations and the cold winter. Account 60-641500, Worker's Compensation, was discussed in prior meetings due to the higher renewal costs for calendar 2015. Account 60-663100, Pipeline Repairs, may go over budget to the repairs needed to part of the 60 inch pipe in Lombard.

John Spatz left the meeting at 6:28 P.M.

Financial Administrator Peterson provided the Committee with a summary of the March Financial Statements. She noted that eleven months into the current fiscal year, revenues are exceeding expenses slightly ahead of budgeted seasonal expectations, even as water sales are below budget by approximately 1%. An offset is water purchases are approximately 3% below budgeted seasonal expectations.

Sales Tax collections were higher than prior year revenue amounts by approximately 6.6% in March. Cumulatively Sales Tax collections as of March 31, 2015, were approximately \$1.6M over the prior year.

Financial Administrator Peterson discussed balances and activity within the cash and investment accounts compared to targets and liabilities.

Financial Administrator Peterson noted that cash balances were up compared to prior year by nearly \$22M. Receivables were slightly higher compared to prior year due to higher water costs. Debt has declined by \$27M compared to prior year balances at March 31<sup>st</sup>.

Financial Administrator Peterson noted that there was no unusual activity or significant variances to discuss in the revenue and expense accounts.

Chairman Zay left the meeting at 6:49 P.M.

### **Draft Annual Appropriation Budget**

Financial Administrator noted that the Appropriation Budget is available for viewing and will be presented at the May 21, 2015 meeting.

### **Accounts Payable**

Financial Administrator Peterson presented the Accounts Payable to the committee members. The numbers below were to be presented in the General Meeting.

March 11, 2015 to April 7, 2015	\$8,460,080.14
<u>Estimated</u>	<u>\$ 989,565.00</u>
Total	\$9,449,645.14

### **Other**

### **Adjournment**

Commissioner Pruyn moved to adjourn the meeting at 6:56 P.M. Seconded by Commissioner Gans and unanimously approved by a Voice Vote.

All voted aye. Motion carried.