

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE  
MEETING OF THE DuPAGE WATER COMMISSION  
HELD ON THURSDAY, FEBRUARY 17, 2022  
600 E. BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Zay at 6:01 P.M.

Commissioners in attendance in person: J. Broda, J. Fennell, J. Healy, D. Novotny, J. Pruyt, K. Rush, F. Saverino and J. Zay

Commissioner(s) in attendance via Microsoft Teams: D. Bouckaert

Commissioner(s) in attendance via Teleconference: R. Gans

Commissioners Absent: P. Gustin, D. Russo, and P. Sues

Also in attendance in person: Treasurer W. Fates, T. McGhee, C. Johnson, C. Peterson, A. Stark, D. Cuvalo, D. Mundall, P. Luetkehans of Leutkehans, Brady, Garner and Armstrong, LLC., and D. Kohn, Deputy Commissioner, Regional Partnerships, Department of Water Management, with the City of Chicago

**TENTATIVE DRAFT BUDGET FOR FISCAL YEAR 2022-2023**

Interim Manager of Water Operations McGhee began by thanking Financial Administrator Peterson, along with other Staff members for their hard work in completing the Budget in such a short time. Interim Manager of Water Operations McGhee noted that Financial Administrator Peterson would be presenting the Investment & Reserve Activity followed by his PowerPoint presentation on the Tentative Draft Budget for Fiscal Year 2022-2023. Items highlighted included water rates from the City of Chicago, proposed water rates for the Commission's customers, the new tentative budget and the five-year capital improvement plan which reflects significant changes to expense classifications.

Financial Administrator Peterson presented the Investment & Reserve Activity. As of December 31, 2021 the Commission has \$178.4M of investments, managed by Professional Financial Management (PFM). The Commission's investments are in line with the investment policy which allows for the diversified portfolio. The current approximate market yield is 0.94%. Reserves are fully funded to stay in compliance with the Commission's Reserve Policy.

With regards to the new reserve requirements, Financial Administrator Peterson noted that the Operating Reserve requirement will slightly increase, and the Capital Reserve is expected to decrease. Long Term Capital Reserve will require the normal \$2.1M added each year to meet its requirement. The current total reserve policy requirement for FY2022-2023 will be \$156M. The Commission currently has \$41.3M in the Operations & Maintenance Accounts and \$13.9M in the General Fund.

Interim Manager of Water Operations McGhee then began his draft Budget presentation starting with the City of Chicago's expected water rate adjustment for 2022. Interim Manager of Water Operations McGhee noted that a water rate increase is anticipated from Chicago based on the increase in the Consumer Price Index from December 2020 to December 2021. Based upon the increase in the Index, the Commission anticipates a



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5% (\$0.21 per 1,000 gallon) water rate increase in June from Chicago, which would then be passed along to the Commission's customers. The Tentative draft Budget for FY2022-2023 reflects the Commission's water rate increase, which is set to begin on May 1, 2022 at \$5.18 per thousand gallons.

Interim Manager of Water Operations McGhee briefly reviewed the total revenues and total expenditures noting that revenues reflected that water sales make up 97.2% and 2.8% make up other income. Total expenditures reflected direct water distribution cost make up 85.6%, depreciation is 7.6%, personnel services is 4.4%, professional services is 1.1%, insurance is 0.6% and administrative costs is 0.7%.

Total revenues will increase approximately 4.2% due to the City of Chicago water rate increase being passed on to the Commission's customers. Total expenditures will increase by approximately 5.96% due to the various reclassification of expenses, reflected in the Five-Year Capital Improvement Plan.

Interim Manager of Water Operations McGhee recommended moving forward with modest water rate increases on an annual basis to avoid multiple years of double-digit rate increases in order to catch up.

### **2022-2027 FIVE-YEAR CAPITAL IMPROVEMENT PLAN**

Interim Manager of Water Operations McGhee began by pointing out many of the capital projects previously listed were not capital based and have been reclassified as Operational & Maintenance, such as repairs and studies. After various changes the five-year capital improvement plan total cost is budgeted at \$63.1M, with an average of \$12.8M per year.

The following projects were highlighted:

- Replacement of the SCADA system (\$2.0M)
- Building Automation System (\$1.0M)
- Administration Building/Pump Station Building Rehab (\$1.0M)
- DPPS Generator Building Facility Improvements (\$4.8M)
- Replacement of Chillers (\$250,000)
- Condition Assessment (\$500,000)
- ROV and Large Valve Repair and Upgrades (\$500,000)
- Cathodic Protection Construction (\$1.75M)
- Metering Stations – Lombard Connection Point (\$1.0M)

Interim Manager of Water Operations McGhee updated that the Village of Romeoville has chosen the City of Joliet as their water supplier and that the towns of Oswego, Yorkville and Montgomery are moving forward with next steps in becoming a customer of the Commission.

Interim Manager of Water Operations McGhee concluded his report with the following:

- The Commission is a self-sustaining water utility, operating almost entirely on our water sales revenues only.
- The Commission continues to be completely debt free.

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- The Commission continues to evaluate the condition of all its assets while developing realist strategies for replacement or additions.
- The Commission will continue to manage their reserves and cash & equivalents while using Best Management Practices in setting water rate.
- The Commission will continue to work with prospective new customers, which will help increase our revenues and assist in keeping all customer rates lower.
- The Commission will continue to strive toward maintain its reputation as a best-in-class model government agency and water utility.

Interim Manager of Water Operations McGhee opened the floor to questions. Commissioner Saverino asked what the water rate increase would be and Interim Manager of Water Operations McGhee confirmed the water rate increase would be \$0.21 per 1,000 gallons. Discussion ensued regarding the possibility of a greater increase with Board Members requesting that a chart be prepared to reflect various increases over and above the City of Chicago proposed rate and any potential impacts, if any, to the Commission.

In an email prior to the meeting, Commissioner Rush raised the following questions regarding the proposed budget. With regards to the Commission's Fund Balance Policy, Commissioner Rush suggested a review of the current Policy and how it relates to the Capital needs going forward to make sure that the funds are being spent accordingly, ideally, a comprehensive package that would include Fund Balances as well as, Revenues and Expenses.

Interim Manager of Water Operations McGhee stated that the Commission's current Policy has not been reviewed since 2017 and does not include a rate factor. He then suggested that the Board evaluate the current Policy and consider tying in a rate component. Due to various Capital projects completion status, Chairman Zay suggested that the Finance Committee review the status of the current Capital projects and report back with suggestions.

Discussion ensued regarding water revenues, reserves, strategic planning and employee compensation, all of which will be reviewed with the incoming General Manager.

With no further discussion, Commissioner Healy moved to adjourn the meeting at 6:40 P.M. Seconded by Commissioner Fennell and unanimously approved by a Voice Vote.

All voted aye. Motion carried.