

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE  
MEETING OF THE DuPAGE WATER COMMISSION  
HELD ON THURSDAY, MARCH 11, 2010  
600 E. BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 6:00 P.M.

Commissioners in attendance: T. Bennington, E. Chaplin, T. Elliott (arrived at 6:02 P.M.), W. Maio, G. Mathews, W. Mueller, W. Murphy, A. Poole, F. Saverino, J. Zay, D. Zeilenga, and L. Rathje

Commissioners Absent: L. Hartwig

Also in attendance: Treasurer R. Thorn, R. Martin, R. Skiba, M. Crowley, C. Johnson, T. McGhee, R. C. Bostick, F. Frelka, J. Schori, J. Nesbitt, E. Kazmierczak, and M. Weed

Commissioner Mathews moved to open the Charter Customer Hearing Regarding the Management Budget Ordinance for the Fiscal Year Commencing May 1, 2010 and Ending April 30, 2011. Seconded by Commissioner Mueller and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Commissioner Elliott arrived at the meeting at 6:02 P.M.

Chairman Rathje began by thanking Commissioners Chaplin, Elliott, Saverino, and Zay for submitting their Budget questions to General Manager Martin in advance of the meeting. Commissioner Zay expressed his concern as to why the Responses to Questions/Concerns were posted on the Commission's website, noting that the Commissioners should have been notified in advance of the posting. Chairman Rathje stated that it was his direction to staff to post the material because he felt it was important to keep Budget information open to the public.

Chairman Rathje then suggested reviewing the February 15, 2010, draft of the Tentative Draft Budget for Fiscal Year 2010-2011 page by page. In referring to the Executive Summary of the report, Commissioner Murphy asked both Commissioner Zeilenga and General Manager Martin if it was their recommendation to authorize staff to proceed with the negotiations on a second short term loan for a one year debt certificate in the amount of \$40 million. Commissioner Zeilenga replied that a second loan was needed.

On page one, Commissioner Zay noted his general confusion with the Tentative Draft Budget for Fiscal Year 2010-2011 as staff should have included a total breakdown of each line item. Commissioner Zay further questioned the proposed 1% salary increase pool for non-managerial Commission staff. Commissioner Zeilenga explained that the proposed 1% salary increase pool was his recommendation, noting that the employees have already received cutbacks and that the Commission's financial situation was not caused by the non-managerial employees. Commissioner Zay disagreed, noting that

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the Commission is in the process of getting a second short term loan and any salary increases to any of the staff members would not be wise at this time.

Commissioner Chaplin stated that she understood Commissioner's Zeilenga's recommendation, but in reviewing the large amount of overtime that certain employee's are currently receiving, which is almost 25% of some of the employee's salaries, Commissioner Chaplin believed the proposed 1% salary increase pool was unwarranted and that the amount of employee overtime seemed excessive. General Manager Martin explained that it is more economical to pay overtime to an employee than to hire additional personnel in order to have staff on-site 24-7. Commissioner Chaplin disagreed, stating that it would be more cost effective to make the Lead Operators in the Operations Department salary based with no overtime and bring on two additional operators.

Commissioner Zay inquired as to whether the Commission could use the SCADA system to operate the water system during non-business hours instead of paying employees overtime. General Manager Martin explained that if the electric trips-out, then the Commission only has ½ hour to manually reset the system and/or any affected remote facility before the system/facility shuts down and, as a result, one of the operators on duty needs to go to the affected location to fix the problem.

On page three, in discussing the sales tax revenue item, Commissioner Elliott expressed concern about the proposed 1% increase. Former Financial Administrator Skiba stated that at the beginning of the fiscal year sales taxes on a month-by-month comparison were 20% behind the previous fiscal year, noting that this difference has been decreasing during the course of the current fiscal year. For the month of March 2010, Former Financial Administrator Skiba stated that receipts were actually 0.44% higher than in March of 2009 and further stated that the forecasted receipts for the current fiscal year should be \$180,000 more than was presented in the budget dated February 15<sup>th</sup>. Thus, Former Financial Administrator Skiba felt comfortable in proposing a 1% increase.

Commissioner Elliott asked if staff verified the trend with the County of DuPage or any other outside source. Former Financial Administrator Skiba replied that it was an internal projection based upon historical receipts.

Commissioner Zeilenga stated that this was the lowest budgeted sales tax revenue increase in the last 7 years or so and asked how much revenue the 1% added to the budget. Former Financial Administrator Skiba advised that the amount was \$280,000.

On page four, Former Financial Administrator Skiba noted that he has been working with the City of Darien and the County of DuPage to correct a fixed cost billing error and as a result of that review, the fixed cost schedule presented in the February 15<sup>th</sup> budget draft will change slightly.

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Commissioner Zay stated that it is illogical to continue subsidizing fixed costs and that the water rate needs to be increased and passed along to the customers to avoid a continual loss in revenue at a rate of \$2 million per month. Commissioner Zeilenga understood Commissioner Zay's concerns, but noted that should the Board decide to raise the water rate to \$2.08/1,000 gallons, it would more than balance the budget and further noted that charging a higher water rate to eliminate the subsidy will not resolve the current financial problem. Commissioner Zay reiterated that the current budget year is over and the Commission is moving into the new fiscal year and it doesn't make sense to continue subsidizing the water rate and the Board should be looking to make as much revenue as possible.

Commissioner Chaplin inquired as to why the budgeted water rate combines the Operations & Maintenance revenues with the fixed costs revenues to match City of Chicago water costs. General Manager Martin stated that combining the two elements of the Commission's rate is one way of analyzing the sufficiency of the rate to pay for the direct water cost, with a second short-term loan taking care of construction costs and rebuilding the reserve accounts.

Commissioner Chaplin referred to a memorandum dated March 9, 2010, provided by Staff Attorney Crowley regarding the Revenue Bond Rate Covenant, noting that by not following the Ordinance the Commission does not appear to be in compliance with its Revenue Bond obligation which could in turn jeopardize the bond rating. Staff Attorney Crowley noted that the memorandum addressed the sufficiency of the Commission's historical rate and not the sufficiency of the rate proposed for FY 2010-11.

On page five, Commissioner Zay inquired as to why the Illinois Municipal Retirement Fund pension contribution payment was so high. General Manager Martin noted that it is the Board's option to keep the pension fully funded, but that it is not under any legal obligation to do so. Former Financial Administrator Skiba agreed, noting that the Commission is only obligated to fund approximately \$305,000 of its total pension liability in the next fiscal year but that if the Commission were to fund all or a portion of the allowable unfunded \$1.1MM pension liability, on or before January 1, 2011, the Commission would also receive a credit in the amount of 7.5% of the excess amount so funded.

Commissioner Bennington asked if it is required by statute to participate in the Illinois Municipal Retirement Fund. Staff Attorney Crowley advised that the Commission's election to participate in 2003 was irrevocable.

Commissioner Chaplin stated that the Budget needs to eliminate more fluff, and asked if the training and/or travel is necessary. General Manager Martin noted that he has made two tenths of 1% in cutbacks and thought the training was important to keep in the budget. Commissioner Maio asked for a definition of travel expenses. General Manager Martin replied that travel costs include tolls for Commission vehicles, parking expenses for downtown conferences, and mileage reimbursement for non-Commission vehicles.

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Commissioner Maio inquired as to what conferences are needed and what is continuing legal education. General Manager Martin replied that none of the conferences are required, but the AWWA conference was budgeted because Manager of Water Operations McGhee was the Co-Chair and General Manager Martin was a presenter. As for the continuing legal education, Staff Attorney Crowley noted that even though continuing legal education was required by law, nothing required the Commission to pay for that continuing legal education.

Commissioner Zay inquired as to what employees were under contract at the Commission. General Manager Martin replied that he and Staff Attorney Crowley have been under contract since 2004. Commissioner Bennington asked staff to provide a copy of each contract to the Board.

On page six, Commissioner Zay inquired about the annual employee physicals, noting that \$400/employee seemed a bit high when the County of DuPage annual physicals are about \$150/employee. Facilities Construction Supervisor/Safety Coordinator Bostick explained that the Elmhurst Hospital performs annual physicals for 28 Commission employees and due to this year's installation of diesel generators, the evaluation specifications have changed to include a hearing protection program required by OSHA Standards.

On page seven, Commissioner Chaplin referred to the Water Conservation Program and noted that the budgeted amount is too high and felt that it should be decreased to a more reasonable amount of \$10,000.00 for FY 2010-11. Manager of Water Operations McGhee explained that the Commission is in its third year of the program, urging the Board not to discontinue the program as it is having much success with various schools and communities currently participating yet still looking to the Commission for additional water conservation ideas. Commissioner Zay asked if the Commission currently funds any leak detection programs to which General Manager Martin replied that customers conduct their own leak detection and repairs.

With respect to the audit services, Commissioner Elliott shared his concerns that the services seemed a bit higher than past years. Former Financial Administrator Skiba noted that the 2009 audit has not been completed and, due to the Commission's current financial situation, may need to be completely redone.

There being no discussion on page eight, Commissioner Chaplin inquired, on page nine, about the computer software/maintenance yearly upgrades, stating that for the past 2 years the Commission has spent \$200,000 - \$300,000. Commissioner Chaplin then requested that a list be provided of which programs can or cannot be eliminated. Manager of Water Operations McGhee noted that three new computer software programs have been implemented and a list will be provided.

Commissioner Zay inquired about safeguards on the laptops and if the employees take the laptops home every night. General Manager Martin replied that safeguards are in place for all laptops and monitored for excess internet use and all non-managerial

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employees using laptops are required to return them back to the Commission facility at the end of their workday.

Commissioner Mueller questioned the Commissioners' yearly salaries, stating that the Board members should not be compensated at all. Commissioner Chaplin agreed, stating she returned her last salary check to the Commission marked void.

Commissioner Zay questioned the \$45,000 budgeted for police and fire protection and what it relates to. General Manager Martin explained that the Commission entered into an Intergovernmental Agreement with the City of Elmhurst and as part of the annexation agreement was to pay the cost for police and fire protection in lieu of paying taxes. Commissioner Mathews noted that most annexation agreements have a limit of 20 years. Staff Attorney Crowley generally agreed with Commissioner Mathews but noted that she thought the agreement contained special term provisions which she would double check.

Commissioner Zay questioned the \$2 million budgeted for the corrosion project, asking if it was the same project that the Board had already discussed and determined not to move forward with. General Manager Martin replied that the \$2 million budgeted included additional corrosion related projects and strongly urged the Board to move forward, stressing the importance of properly maintaining the pipes to avoid damage to the pipeline system or possible injury to the public should a pipe burst. Commissioner Mathews agreed with General Manager Martin, adding it is just as important to properly maintain the interior of the system as it is to provide water.

Commissioner Zay questioned the \$270,000 budgeted for fall protection at the tanksites. Facilities Construction Supervisor/Safety Coordinator Bostick explained that the ladders installed on each side of the water tanks have been recalled on several occasions (4 times in the past 2 years) and therefore the Commission was not confident enough to continue using the equipment. Commissioner Zay asked if there was any recourse that could be taken with the manufacturer to which Facilities Construction Supervisor/Safety Coordinator Bostick responded that according to OSHA Standards, the ladders meet the minimum requirements and therefore he didn't think any action could be taken.

There being no comments on page ten, Commissioner Zeilenga asked, with respect to on page eleven, whether the March 1, 2010 General Obligation Bond payment had been made and what the interest would be for the next fiscal year. Former Financial Administrator Skiba replied that the General Obligation Bond payment had been made and the interest for the next fiscal year equates to \$327,000 on September 1, 2010 and March 1, 2011. Commissioner Zeilenga then asked if the interest for the next fiscal year was part of the \$13 million funded in February 2010 and Former Financial Administrator Skiba replied yes.

On page twelve, Commissioner Zay referred to the new administrative office building, noting that the budget reflects a lot of replacement of computer/laptop equipment and

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asked if the current equipment will be shifted over to the new building and when the new offices be available. General Manager Martin replied that certain current equipment will be shifted over to the new offices, but additional equipment is needed as there are several employees currently sharing computers. General Manager Martin also noted that the new Administrative Offices are expected to be completed by November.

Commissioner Chaplin questioned the budget for office furniture, suggesting staff look into used or refurbished items.

There being no discussion on pages thirteen and fourteen, Commissioner Poole referred the Board back to the discussion regarding additional cutbacks, noting that 12% of the budget is controllable and suggested giving staff direction to reduce controllable expenses by 5%, or approximately \$750,000-\$500,000, at the General Manager's discretion. Commissioner Maio agreed with Commissioner Poole regarding the suggested 5% budget reduction but added that the 5% reduction should not include the IMRF line item.

Commissioner Zeilenga noted that if the water rate is increased to \$2.08/1,000 gallons it will exceed the current cost of water (\$2.01) and that using sales taxes as part of the Commission's operating resources does not affect the ability to monitor controllable costs. Commissioner Zeilenga further noted that if sales taxes were not used in this manner, the water rate would have to be \$0.90 higher and by choosing to use water rates and sales taxes gives a prudent balanced budget that passes operating costs onto the customers.

Commissioner Bennington moved to close the Charter Customer Hearing Regarding the Management Budget Ordinance for the Fiscal Year Commencing May 1, 2010 and Ending April 30, 2011. Seconded by Commissioner Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Commissioner Zay moved to adjourn the meeting at 7:45 P.M. Seconded by Commissioner Murphy and unanimously approved by a Voice Vote.

All voted aye. Motion carried.