

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, FEBRUARY 16, 2012
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:18 P.M.

Committee members in attendance: P. Suess, J. Pruyn, and J. Zay (*ex officio*)

Committee members absent: C. Janc and D. Russo

Also in attendance: R. Furstenau, J. Spatz, T. McGhee, N. Narducci, S. Lux of Baker Tilly, and J. Nesbitt

Minutes

No minutes were approved since there was no quorum.

Approval of Reconciliations

Treasurer Narducci noted that the reconciliations were approved.

Treasurer's Report – January 2012

Mr. Lux provided the Committee with a summary of the January Treasurer's Report.

Financial Statements – January 2012

Mr. Lux provided the Committee with a summary of the January Financial Statements.

Commissioner Pruyn asked if the Commission will have a \$300,000 cash increase since the Commission is seeing gross profit generated from water sales. General Manager Spatz responded that the Commission will not see this difference until February when the new water rate increases will be collected. Mr. Lux added that it also depends on the water usage.

Mr. Lux noted that the unrestricted net assets amount was previously a negative number which was generated from borrowings for the certificates for operations that drove the number negative. He added that since there was a payment last month in operations now it is a positive number which is a good sign of stability and strength.

Mr. Lux also noted that last month the fixed asset balance was \$470M and the accumulated depreciation balance was \$125M. He added that from review of the fixed assets records, many fixed assets were fully depreciated and he wrote them off which was recommended by the auditors.

General Manager Spatz noted that account 6611-03 – the maintenance account for Lexington Pumping Station – the Commission's share will, after this month, have exceeded the budgeted amount in the management budget because of the City of Chicago's inability to fill vacant positions and they have been covering shifts with overtime. He added that he has talked to the Deputy Commissioner, First Deputy Commissioner and the Commissioner for the Water Department about reducing these overtime amounts. He noted that a solution that has been discussed is to pay the city a set fee at the beginning of the year for Lexington O&M. He added that in addition to covering shifts with overtime, that the city has also hired a chief which is an additional expense. Commission staff feels that they don't need a full-time chief at Lexington Pumping Station. He noted that the City of Chicago has acknowledged these items and they are working on the issues. Manager of Operations McGhee added that this is not the appropriation budget.

Committee Chairman Suess asked if there has been any operational savings from the photovoltaic cells at Lexington Pumping Station. General Manager Spatz replied that it is around 5% electrical savings.

Board Chairman Zay stated that the City of Chicago seems receptive to these issues.

Review of Construction in Progress

Mr. Lux stated he reviewed the construction in progress balances for various projects and there are four or five projects that have been ongoing for a long time and have costs going back to 2004-2003. He stated that one had \$1.1M for a lot of engineering costs for a 30 million gallon reservoir that was going to be built in the back of the Commission Pumping Station and it was going to cost over \$30M to build. He added that because of the work that was done at the Lexington Pumping Station there is a feeling that it is not needed and the \$1.1M of engineering studies is not going to be needed since the project is going to be abandoned. He added that next month he is going to write off that amount and it will hit the Commission's bottom line.

Commissioner Pruyne asked if Mr. Lux is going to put this amount in a special account. Mr. Lux responded that he is going to put this amount into the loss on fixed assets account. He added that there is a small gain in this account because the Commission traded in two trucks and received some value for those that were fully depreciated when the two new vehicles were purchased. He added that it will not skew the operations since it is a non-operating type item. He noted that he wanted to bring this to the committee's attention so that next month when the numbers are low they will know why and from an accounting standpoint this needed to be done.

Commissioner Pruyne asked what the other projects were that he mentioned. Mr. Lux responded that there are three or four other projects that add up to around \$15,000.

Draft Annual Budget

Manager of Operations McGhee stated that there will be a presentation on the draft budget at the Committee of the Whole meeting. Board Chairman Zay stated that he wanted to have a Committee of the Whole meeting to answer any questions as a whole. He added that if there are any questions, it can be brought back to the Finance Committee.

Quarterly Budget Review

Manager of Operations McGhee stated that the committee has been reviewing the budget monthly. Mr. Lux stated that in the past staff has put together a bar graph but since the committee has been going through the budget-to-actual statements each month, it has been covered with that.

Election of Interest Period under Northern Trust Certificate of Debt

General Manager Spatz informed the committee that the one month Libor is 0.25% and the three month Libor is 0.50%. He added that last month the one month Libor rate was at 0.28%. Manager of Operations McGhee added that staff would recommend that the Commission stays with the one month Libor rate at 0.25%. Mr. Lux added that Commissioner Janc had thought that the one month Libor would stay pretty consistent.

After some discussion, the committee was in agreement to lock in for one month Libor.

Update on the Financial Administrator Search

General Manager Spatz informed the committee that staff has closed the period for accepting résumés for the Financial Administrator position and received about 410 résumés. He stated that one of the preferred items was a CPA and out of the 410 résumés sixty seven candidates had a CPA. He added that he would like to sit down with Manager of Operations McGhee, Mr. Lux, and Treasurer Narducci and narrow the sixty seven candidates down to thirty then, possibly, set up some Skype interviews. He added that from there narrow that number down to ten or twelve candidates to come to the Commission offices for interviews and pick out the top three candidates and have the Finance committee talk to those candidates and make a selection from there.

The committee was in agreement with General Manager Spatz's plan for selecting a candidate for the Financial Administrator position.

Update on the Legal Review of Financial Contracts

Manager of Operations McGhee stated that last month the Harris Bank agreement was approved but before it was signed the committee wanted to have outside counsel review it. He added that the review has not been completed yet because there were some issues with waivers for the legal firm since they also have business with Harris Bank. General Manager Spatz stated that he had spoken with Board Chairman Zay about using Holland & Knight for this review. He added that Holland & Knight had

initially suggested \$5,000 and he lowered it to \$3,000 and it is roughly fifteen hours. He added that they do a lot of banking agreements and they need to get waivers from the Commission and Harris Bank. He also added that he didn't think it would take much longer to review the banking agreement once the waivers are in place.

Accounts Payable

Mr. Lux presented the Accounts Payable to the committee members.

January 11, 2012 – February 7, 2012	\$4,876,012.42
<u>Estimated</u>	<u>\$1,564,337.00</u>
Total	\$6,440,349.42

Other

Manager of Operation McGhee reminded to the committee members that all public officials need to take the online Open Meetings Act (OMA) training by December 31, 2012. Committee Chairman Suess asked if a Commissioner has already taken the training for another government entity if they need to take the training again for the Commission. Manager of Operations McGhee stated that he would ask Staff Attorney Crowley. He stated that once the training is completed there is a test at the end then each Commissioner receives a certificate and a copy needs to be submitted to the Commission to keep on file.

At this time, Manager of Operation McGhee left the meeting.

General Manager Spatz thanked Committee Chairman Suess for his comments on the investment agreement and that General Manager Spatz and The PFM Group signed off on the agreement. He stated that next week he is going to send out the amended investment policy to the committee and update the benchmarks on that policy. He added that he thinks it is important that the policy is voted on next month because The PFM Group is now doing the investing and would like to have an updated investment policy.

General Manager Spatz stated that the amended investment policy has changes incorporated from Mr. Lux, Staff Attorney Crowley, Treasurer Narducci, and Committee Chairman Suess. He added that Committee Chairman Suess added that some benchmarks based upon the duration of the investment and staff is working with The PFM Group to establish these benchmarks. Mr. Lux added there will probably be a stratified benchmark for the different accounts based on the fact that some will longer and some will be shorter. General Manager Spatz added that once these changes have been incorporated he will send a new draft out and it can be reviewed by the committee members. Committee Chairman Suess stated that he thinks it is important that we need to have some criteria documented by which the Commission evaluates The PFM Group.

General Manager Spatz stated that Standard & Poor's and Moody's Investor Services

will be coming into the Commission next week and on March 1st for a bond presentation to see if they will review the Commission again and may have to pay a small fee since the Commission is not doing a bond deal but would like to get our bond rating back up again. Mr. Lux added that the Commission has a great story to tell since the Commission's cash investments are back in order and the four year rate increases are significant items.

Commissioner Pruyn asked if this would give the Commission an immediate savings or the next time the Commission wants to borrow. General Manager Spatz stated that the current interest rates are not dependent on the audit rating. Board Chairman Zay stated that Northern Trust worked with the Commission because it was going to cost the Commission higher interest rates.

Commissioner Pruyn asked how much it would cost to have the bonding agencies review the Commission. Mr. Lux replied that staff has not finalized the amount and that an annual review is around \$5,000-\$6,000 where he used to work.

Committee Chairman Suess stated that it is important to have outside verification that the Commission has a good story to tell and has turned the corner.

General Manager Spatz stated that Treasurer Narducci, Mr. Lux, and he are going to compile a press release dictating what the Commission has done to address, and what safeguards are in place, the Jenner & Block's forensic audit.

General Manager Spatz stated that at the Commission meeting he will be asking Board Chairman Zay to go into executive session regarding DuPage County's subsequent costs and infrastructure buy in.

Adjournment

The meeting concluded at 6:45 P.M.