

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE  
MEETING OF THE DuPAGE WATER COMMISSION  
HELD ON THURSDAY, FEBRUARY 15, 2018  
600 E. BUTTERFIELD ROAD  
ELMHURST, ILLINOIS**

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

Commissioners in attendance: J. Broda, J. Fennell, R. Gans, J. Healy, D. Loftus, D. Novotny, R. Obarski, J. Pruyne, M. Scheck, P. Suess, and J. Zay

Commissioners Absent: D. Russo and F. Saverino

Also in attendance: J. Spatz, C. Johnson, C. Peterson, T. McGhee, J. Rodriguez, R. C. Bostick, J. Schori, F. Frelka, E. Kazmierczak and P. Luetkehans of Schirott, Luetkehans & Garner, LLC (arrived at 6:15 P.M.)

**TENTATIVE DRAFT BUDGET FOR FISCAL YEAR 2018-2019**

General Manager Spatz began his PowerPoint presentation on the Tentative Draft Budget for Fiscal Year 2018-2019 noting that he would be highlighting debt activity, investment activity, reserve activity, reserve requirements going forward, the new tentative budget and budget trends, comparisons to last year's budget, and the five-year capital improvement plan.

With regards to the debt activity, General Manager Spatz shared that the Commission was completely debt free and operating mostly on water sales.

With regards to the Investment and Reserve Activity, General Manager Spatz noted that the Commission was actively investing with a diversified portfolio earning a market yield of about 1.44% with total investments of \$152.4M.

Operating and Capital Reserves increased because of the \$21M Bartlett project going on over the next two years and an additional \$2.1M in funds would be needed for the long-term capital reserves for next year.

With regards to the City of Chicago's expected water rate adjustment for 2018, General Manager Spatz noted that a water rate increase had been anticipated from the City of Chicago based on the increase in the Consumer Price Index from December 2016 to December 2017. On May 1, 2018, the total Charter Customer's water rate would increase from \$4.88 to \$4.94 (1.30%) per thousand gallons.

General Manager Spatz reported on the budget trends for the last seven years starting with total revenues noting that the fixed costs and sales tax revenues remain at zero. General Manager Spatz pointed out the total expenditures for the budget year. The total expenditures minus water purchases and depreciation would give you the total operating expenditures and the total operating expenditures are budgeted to increase mainly due to the water rate increase, personnel services, Lexington Pumping Station maintenance and additional depreciation.

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General Manager Spatz briefly reviewed the total revenues and total expenditures noting that revenues reflected that water sales make up 98.8% and 1.2% make up other income. Total expenditures reflected direct water distribution cost make up 86.4%, depreciation was 7.7%, personnel services was 3.9%, professional services was 0.9%, insurance was 0.5% and administrative costs was 0.6%.

General Manager Spatz provided the following breakdown which compares the 2018-2019 Budget to the prior fiscal year:

### Revenues

- O&M payments increased from \$120.6M to \$122.0M
- Fixed Cost Payments – remain zero
- Subsequent Customer Differential – remain the same as prior year
- Emergency Water Sales – remain the same as prior year
- Sales Taxes – budgeted at zero
- Interest income – estimated at 50 basis points on \$131M invested
- Total Revenue – budgeted to increase from \$122.0M to \$123.6M

### Expenses

- Personnel services – budgeted to increase approximately 6.9%
- Professional services – budgeted to increase approximately 5.7%
- Insurance costs - budgeted slightly higher than prior year
- Administrative costs – budgeted to increase 2.8%
- Direct Distribution costs – budgeted to increase because of the water rate increase of \$0.06 cents per thousand gallons
- Bond interest cost – budgeted at zero
- Land and Right-of-Way – budgeted the same as prior year
- Depreciation – budgeted to increase due to completion of some capital projects

Total Expenditures are budgeted to increase from \$121.7M to 123.5M and Net Operating Accounting Transaction are budgeted to decrease from \$0.3M to \$0.1M.

General Manager Spatz pointed out that due to the large capital project planned for next year, the Commission's net unrestricted net assets would decrease by approximately \$20M and the net assets invested in capital/net related debt would increase by approximately \$20M.

### **2018-2023 FIVE-YEAR CAPITAL IMPROVEMENT PLAN**

General Manager Spatz began by pointing out several new projects that had been added based upon recent condition assessment and some that have been updated with expenditures averaging about \$10M per year.

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Commissioner Suess questioned as to what was actually spent on capital for FY2017-2018 versus what was budgeted and General Manager Spatz replied that approximately \$2.6M has been spent to-date and it is expected to increase significantly as expenditures for the Bartlett project start coming in.

General Manager Spatz concluded his report with the following highlights:

- The Commission is a self-sustaining water utility
- The Commission is completely debt free and no longer collecting any sales tax
- The Commission continues to hold the line on spending while maximizing efficiencies
- On May 1, 2018, the Commission would be increasing water rates slightly based upon the anticipated rate increase from the City of Chicago
- The Commission will be a best in class model government agency and water utility
- The Commission continues to grow by adding new customers which in turn would increase revenues and help keep customer rates down.

With regards to funding the Village of Bartlett's project, Commissioner Obarski questioned and General Manager Spatz clarified that funds had already been transferred from the Commission's General Account to the Capital Reserve Fund Account to use for this project and that funding for any future customers would be based on each individual community.

After the Commissioners discussed the City of Chicago's anticipated water rate increase of 1.3% or \$0.06 cents per thousand gallons, Chairman Zay asked for a consensus to allow staff to distribute the Tentative Draft FY 2018-2019 Management Budget to the Commission's customers to which all agreed.

With no further discussion, Chairman Zay thanked General Manager Spatz and staff for their hard work on the budget noting how much progress had been accomplished.

Commissioner Healy moved to adjourn the meeting at 6:29 P.M. Seconded by Commissioner Broda and unanimously approved by a Voice Vote.

All voted aye. Motion carried.