

**MINUTES OF A SPECIAL COMMITTEE OF THE WHOLE
MEETING OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, FEBRUARY 18, 2016
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Zay at 6:10 P.M.

Commissioners in attendance: J. Broda, L. Crawford, J. Fennell, R. Furstenau, D. Loftus, D. Novotny, J. Pruyn, D. Russo, M. Scheck, and J. Zay

Commissioners Absent: R. Gans, F. Saverino, and P. Suess

Also in attendance: Treasurer W. Fates, J. Spatz, C. Johnson, C. Peterson, T. McGhee, J. Rodriguez, R. C. Bostick, J. Schori, M. Weed, F. Frelka, and E. Kazmierczak

TENTATIVE DRAFT FISCAL YEAR 2016-2017 BUDGET

Chairman Zay began by reminding Board members to submit, to staff, any/all of their Budget questions, in writing and preferable in advance of the March meeting, to allow staff the time to prepare a full Question/Answer explanation sheet.

General Manager Spatz expressed how exciting fiscal year 2016-2017 would be as the Commission transitions to a self-sustaining water utility.

General Manager Spatz began his presentation on the Tentative Draft Fiscal Year 2016-2017 Budget, 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.

General Manager Spatz began his PowerPoint presentation by comparing the debt activity from 2011 to present day noting that the Commission had paid off the debt certificates 18 months early and will have less than \$1M remaining on the revenue bonds.

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 89 basis points increasing the total investments from \$69.9M to \$104.8M.

The long term capital reserve would require an additional \$2.1M in FY 2016-2017. The Commission plans to fully fund the 2016-2017 long term capital reserve within the next couple of months.

With regards to the City of Chicago's expected water rate adjustment for 2016, General Manager Spatz noted that discussions with the City of Chicago regarding whether water rates would increase or remain the same have not yet been confirmed. However, based upon the decrease in the Consumer Price Index, an increase is not likely, but confirmation from Chicago should come sometime in March.

Minutes of the 2/18/16 Committee of the Whole Meeting

General Manager Spatz reported on the budget trends for the last five years starting with total revenues noting that with the sunseting of the sales tax the Commission would see a decrease in sales tax from \$34.7M to \$11.5M. 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 decrease for the fifth straight year.

Commissioner Pruyn referred to distribution costs under operating expenditures and questioned the decrease of \$8.5M in 2011-2012 to \$4.9M in 2016-2017. General Manager Spatz explained that the \$8.5M included capital expenses in its distribution costs and that the capital costs had been separated out in the current budget.

General Manager Spatz briefly reviewed the total revenues and total expenditures noting that revenues reflected that water sales make up 90.3% or \$121M, sales tax make up 8.6% or \$11.5M and 1.1% or \$1.4M make up other income. Total expenditures reflected direct water distribution cost make up 87.4%, depreciation was 7.0%, personnel services was 3.7%, professional services was 0.7%, insurance and administrative costs was 0.6% and bond interest was slightly over 0.03%.

General Manager Spatz provided the following breakdown which compares the 2016-2017 Budget to prior years:

Revenues

- O&M payments decreased from \$124.7M to \$120.9M
- Fixed Cost Payments – remain zero
- Subsequent Customer Differential – budgeted to increase slightly
- Emergency Water Sales – remain the same as prior year
- Sales Taxes – budgeted to decrease approximately \$23.2M
- Interest income – estimated at 40 basis points on \$105M invested
- Total Revenue – budgeted to decrease from \$160.8M to \$133.9M

Expenses

- Personnel services – budgeted to increase approximately 3.2%
- Professional services – budgeted to decrease approximately 2.5%
- Insurance costs - budgeted the same as prior year
- Administrative costs – budgeted to increase slightly 2.8%
- Direct Distribution costs – budgeted to decrease approximately 2.1%
- Bond interest cost – budgeted to decrease approximately 92.8%
- Land and Right-of-Way – budgeted the same as prior year
- Depreciation – budgeted to increase slightly

Total Expenditures are budgeted to decrease from \$123.3M to \$120.8M and Net Operating Accounting Transaction are budgeted to decrease from \$37.5M to 13.1M.

Minutes of the 2/18/16 Committee of the Whole Meeting

General Manager Spatz suggested that after the Commission becomes debt-free that staff meet with the bond rating agencies and try to reestablish the AAA rating. Discussion also included the Commission's reserves and policies.

2016-2021 FIVE-YEAR CAPITAL IMPROVEMENT PLAN

General Manager Spatz began by pointing out several new projects that had been added and some that have been updated with expenditures totaling about \$5.9M per year and provided a brief summary of the following new projects:

- Replacement of the SCADA system
- Rehab of the high lift pumps (approx. 1 to 2 pumps rehabbed each year)
- Administration Building/Pump Station Building Rehab
- Standpipe Painting
- Rehab/Replacement of some Remote Operated System Valves
- Replace Customer Flowmeters
- Any additional condition assessment work

Commissioner Furstenau questioned the \$800,000 budgeted for condition assessment projects noting that the number seemed high. General Manager Spatz explained that the Commission was in the process of completing projects that had been recommended by the condition assessment.

General Manager Spatz concluded his report with the following highlights:

- The Commission's pension liability is fully funded
- May of 2016 will be the first time the Commission will be debt free
- June 1, 2016, the Commission will no longer be collecting any sales tax
- The Commission's total operating budget, excluding water purchases and depreciation, would decrease for the fifth straight year
- The Commission will be lowering their water rates for the second straight year
- The Commission has been deemed a good example of a model government agency and self-sustaining water utility

Chairman Zay thanked General Manager Spatz and staff for their hard work on the budget noting how much progress had been accomplished over the last five years.

Commissioner Broda moved to adjourn the meeting at 6:54 P.M. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

All voted aye. Motion carried.