



DuPage Water Commission

600 E. Butterfield Road, Elmhurst, IL 60126-4642
(630) 834-0100 Fax: (630) 834-0120

AGENDA

FINANCE COMMITTEE

**THURSDAY, SEPTEMBER 15, 2011
6:00 P.M.**

COMMITTEE MEMBERS

P. Suess, Chair

C. Janc

J. Pruyne

D. Russo

**600 EAST BUTTERFIELD ROAD
ELMHURST, IL 60126**

- I. Roll Call
- II. Approval of Minutes for Regular Committee Meeting of June 23, 2011 and July 21, 2011
- III. Approval of Reconciliations
- IV. Treasurer's Report – August 2011
- V. Financial Statements – August 2011
- VI. Discussion of Financial Administrator recruiting process
- VII. Discussion items
- VIII. Accounts Payable
- IX. Other
- X. Adjournment

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All visitors must present a valid driver's license or other government-issued photo identification, sign in at the reception area and wear a visitor badge while at the DuPage Pumping Station.

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, JUNE 23, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:05 P.M.

Committee members in attendance: P. Suess, C. Janc J. Pruyn and D. Russo.

Committee members absent: J. Zay (*ex officio*)

Also in attendance: J. Spatz, T. McGhee, J. Nesbitt, N. Narducci, V. Hellenbrand, and N. Cavaliere.

Minutes

The committee accepted the minutes for Regular Committee Meetings of March 17, 2011, April 21, 2011, and May 19, 2011.

Approval of Reconciliations

Mr. Cavaliere stated that Baker Tilly reviewed the reconciliations. Treasurer Narducci was given the reconciliations to review and sign while the meeting continued.

Ordinance No. O-13-11

Commissioner Janc was concerned with the following statement in the Request for Board Action: 'Although the Staff Attorney disputed the Commission's authority to make such a grant, others have assumed that authority is implicit in the general contracting authority granted to units of local government.' He inquired what 'others' was referring to. General Manager Spatz stated that 'others' was referring to other municipalities or units of government.

The committee members asked what Staff Attorney Crowley meant by the following statement: '...the lease provides that the Commission is granting a purchase money security interest in the copiers to KMBS.' At this point, the Commissioners requested Staff Attorney Crowley to attend the meeting to address this statement.

Chairman Suess asked why staff did not bid this contract. General Manager Spatz stated that staff looked at the three biggest copier companies and Konica Minolta came in lower than joint purchasing. He added that while getting quotes the two other companies both had started with an associate and by the time the quotes came, there was someone else that was working on staff's quotes. He stated that the associate at Konica Minolta has been at the company for fourteen years. He added that if staff was

not specific enough with the bidding requirements then a new machine may not be provided.

Commissioner Russo asked if toner was included with the contract. General Manager Spatz replied in the affirmative and added that scanning is free as well as other measures to make sure paper is not wasted. He added that as staff scan cards will be required anytime copies/scans/certain print jobs need to be made. He also added the printers are set to default black and white. He continued by stating that black and white has additional savings versus color and this should reduce the amount of copies.

At this time Staff Attorney Crowley entered the meeting. She stated the following with respect to the copier contract: the Commission is not granting security interest, that Konica Minolta is taking the risk, and that by signing the contract the security interest is not enforceable. She added that they were given the case log and it was disclosed. At this time Staff Attorney Crowley left the meeting.

Chairman Suess asked if the committee was in agreement with the ordinance. They all responded aye.

Treasurer's Report – May 2011

Mr. Cavaliere provided the Committee with a synopsis of the May Treasurers reports (A, B, and C). There was a brief discussion in regard to the format of future Treasurers Reports. Mr. Cavaliere stated that staff and Baker Tilly are meeting with Incode developers in July for training and customization.

There was also a brief discussion of cash flow analysis, interest rates, electronic banking, and the public funds investment act.

Financial Statements – May 2011

Mr. Cavaliere provided the Committee with a synopsis of the May Financial Statements.

Discussion items

- a. West Suburban Bank Debt Repayment \$8,000,000 June 21, 2011

The \$8,000,000 payment was made to West Suburban Bank on June 21, 2011.

- b. Baker Tilly Update

Some items that were discussed regarding the Baker Tilly update were:

- Automating accounting processes.
- Interfacing the Commission's work order system, Infor, with Incode.
- Baker Tilly's documentation of the Commission's accounting procedures relating to the Jenner and Block report.
- Baker Tilly's process for electronically reviewed documents
- Receipt of the auditors' final report.
- Statute relating to recent amendments to the Water Commission Act regarding internal control procedures is not clearly defined. Baker Tilly will review issues identified by the external auditor once their report is issued and provide recommendations to address any findings..

- Secretary of State Local Records Act for destroying documents and the Commission's document retention policy.
- The Baker Tilly update worksheet is a living document and items can be added.

c. Budget Appropriation Ordinance Hearing July 21, 2011

General Manager Spatz stated that the settlement with 75th and Washington payment will need to be added to the budget. He added that if it is settled before July, it will have to be taken out of the contingencies. Manager of Water Operations McGhee added that there can be changes to the budget up to the July 21, 2011 approval.

Accounts Payable

Mr. Cavaliere stated that the check register was present at the meeting if anyone wanted to review it.

May 11, 2011 – June 14, 2011	\$ 4,605,059.28
<u>Estimated</u>	<u>\$ 1,059,100.00</u>
Total	\$ 5,664,159.28

OTHER

At this time, Treasure Narducci stated that the Reconciliations were all approved. He added that he would like to look at a number of items to better understand the Commission's accounting processes. He stated that the Commission has straighter mains then where he previously worked as well as different reporting measures.

Chairman Suess asked Treasurer Narducci to put together a list of projects for the Committee.

Manager of Water Operations McGhee stated the audit report from Sikich LLC should be ready for the Committee's review by the July meeting. He added that staff has started on the RFP for an auditing service engagement for FY2012, FY2013 and FY2014. He stated that Sikich LLC will be invited to respond to this RFP as their work has been completely satisfactory and the Commission has no formal policy to rotate audit firms.

Chairman Suess asked if there was an update on Downers Grove's repayment. Manager of Water Operations McGhee stated that it will be addressed at the meeting.

ADJOURNMENT

The meeting was adjourned at 6:57 P.M.

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DuPAGE WATER COMMISSION
HELD ON THURSDAY, JULY 21, 2011
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:45 P.M.

Committee members in attendance: J. Prunyn, D. Russo, and J. Zay (*ex officio*)

Committee members absent: P. Suess and C. Janc

Also in attendance: J. Spatz, T. McGhee, J. Nesbitt, N. Narducci, and N. Cavaliere.

Minutes

The Regular Committee Meetings of June 23, 2011 were not approved since not enough committee members were present.

Chairman Zay asked why the present committee members could not vote on these minutes. Manager of Operations McGhee replied that in the Commission By-Laws state that the Chairman cannot vote on committee matters. Chairman Zay stated that this needs to be changed. Manager of Operations McGhee stated that the By-Laws are in the process of being reviewed and amended.

Approval of Reconciliations

Treasurer Narducci noted that the reconciliations were approved.

Ordinance No. O-14-11

General Manager Spatz reviewed the Request for Board Action for Ordinance No. O-14-11 for which appropriations were being amended.

The committee members were all in agreement with the ordinance.

Resolution No. R-32-11

General Manager Spatz stated that the Village of Downers Grove has paid the Commission \$3.8M for extending Lake Michigan water service to new residential retail customers in a DuPage County service area affected by contaminated well water. He added that the Village still owes the Commission \$566,000 by July 30, 2011. He further stated that if the Village does not pay the agreed upon amount by July 30, 2011, the Commission would revert back to the original agreement of \$4.788M.

Chairman Zay stated that it is in the best interest of the Commission to settle with the Village as the Commission could use the additional monies to pay down its loan with West Suburban Bank.

General Manager Spatz stated that the three month Libor term with Northern Trust Bank was ending and recommended that the Commission elect another three month Libor term. He added that the current three month Libor rate would be somewhere between .25%-.27% and added that the Commission should pay down the \$5M of principal due to Northern Trust and hold the \$4.363M received from Downers Grove settlement for future principal payments.

The committee members were all in agreement with the resolution.

Treasurer's Report – June 2011

Mr. Cavaliere provided the Committee with a synopsis of the June Treasurer's report. Commissioner Russo suggested adding 'Principal Payment' to the Northern Trust line item so all others reading the report would have a clear understanding of the item.

Manager of Operations McGhee stated that it is important that the Commissioners are comfortable with the reports and if there is something that they would like to see on a report to inform Mr. Cavaliere.

Financial Statements – June 2011

Mr. Cavaliere provided the Committee with a synopsis of the June Financial Statements.

There was a brief discussion on how the billing/budget is represented.

Accounts Payable

Manager of Operations McGhee informed the committee members that a revised Accounts Payable was at the Commissioner's seats in the board room.

June 15 - July 13, 2011	\$ 4,841,490.02
<u>Estimated</u>	<u>\$ 6,137,959.44</u>
Total	\$ 10,979,449.46

There was discussion on the codes of the last page of the Accounts Payable and Mr. Cavaliere stated that he would look into its source and how it is generated.

Other

At this time, Treasurer Narducci reviewed his Project List. After Treasurer Narducci discussed examining bulk purchasing of heat and gas, General Manager Spatz stated that staff was to meet with their consultant the following week to discuss prices and possibly establish a two year contract instead of one year in the interest of saving money.

Chairman Zay stated that the Commission could ratify this at the next meeting if staff was able to get locked in at a lower price.

The last item on Treasurer Narducci's Project List was to review bidding on audit services. There was some discussion on retaining the Commission's current audit firm, Sikich LLC.

Adjournment

The meeting was adjourned at 7:30 P.M.

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DuPage Water Commission

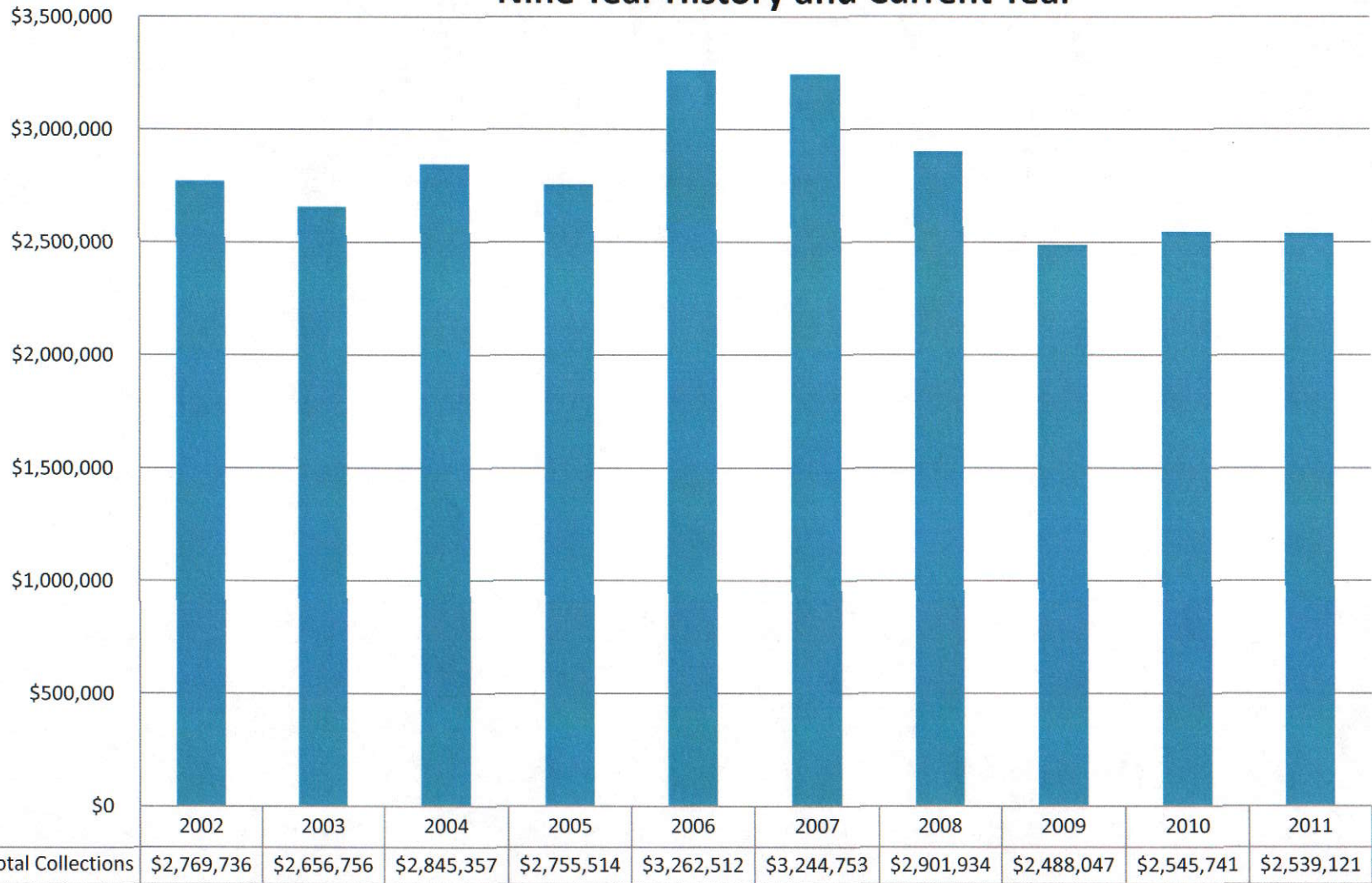
MEMORANDUM

TO: John Spatz, General Manager
FROM: Baker Tilly, Consultant
DATE: September 8, 2011
SUBJECT: Financial Report – August 31, 2011

- Water sales to Commission customers for August were 134.2 million gallons (4.7%) less than August 2010 and 478.4 million gallons less than July 2011. Water billings to customers was \$5.575 million and water purchases from the City of Chicago was \$5.572 million.
- August sales tax collections (May) were \$2,539 (0.26%) less than the same period last fiscal year. Cumulatively, sales tax is \$414,561 greater compared to prior year
- Water billing receivables at the August month end (\$11.2 million) increased from the prior month (\$9.6 million) by \$1.6 million. This increase is attributable to customers waiting to pay their July water bills until the September 12th due date.
- The Commission is four months through the fiscal year. At the end of August \$34.7 million of the \$97.1 million revenue budget has been realized, this accounts for 35.7% of the revenue budget, \$29.3 million of the \$87.1 million expenditure budget has been realized, this accounts for 33.7% of the expenditure budget. The Commission's year to date balances for revenues and expenditures are in line with the budgeted amounts.
- Adjusted for seasonality based on a monthly trend for the last three fiscal years impacting water service, sales tax revenues, water billing from Chicago, electricity and pumping operations, year to date revenues are 99.1% percent of budget and expenses are 90.3% of budget.
- The Operations and Maintenance, Operations and Maintenance Reserve, and Depreciation Accounts are fully funded as of August 31, 2011.
- The General Account and the Sales Tax Subaccount have balances of \$13.5 million and \$8.9 million, respectively.

cc: Chairman and Commissioners

DuPage Water Commission - Sales Tax Collections - Month of August - Nine Year History and Current Year



DuPage Water Commission

Summary of Specific Account Requirement Compliance and Summary of Net Assets

August 31, 2011

Revenue Bond Ordinance/Commission Policy Account Requirements	Account Net Assets Balance	Specific Account Requirement	Status
Operations and Maintenance Account	\$ 6,182,616.25	\$ 6,182,616.25	Fully Funded
Revenue Bond Interest Account	\$ 87.09	Positive Balance	Compliant
Revenue Bond Principal Account	\$ 710.11	Positive Balance	Compliant
Bond Reserve Account	\$ -	Insured	Compliant
Operations and Maintenance Reserve Account	\$ 12,366,235.91	\$ 12,365,232.50	Fully Funded
Depreciation Account	\$ 5,525,250.73	\$ 5,525,000.00	Fully Funded
General Account	\$ 13,513,295.29	\$ 13,000,000.00	Fully Funded
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Other Accounts - No Requirement			
Sales Tax Subaccount	\$ 4,860,445.96		

Total Net Assets - All Commission Accounts	
Unrestricted	\$ (5,548,854.22)
Restricted	\$ 28,418,399.41
Invested in Capital Assets, net	\$ 305,235,616.66
 Total	 \$ 328,105,161.85

01 -WATER FUND

	2011-2012 BALANCE
<u>ASSETS</u>	
<u>CURRENT</u>	
CASH	304,412.80
INVESTMENTS	57,607,275.93
ACCOUNTS RECEIVABLE	
WATER SALES	11,215,978.95
INTEREST RECEIVABLE	15,746.65
SALES TAX RECEIVABLE	7,346,181.00
OTHER RECEIVABLE	2,890,386.94
INVENTORY	167,080.00
PREPAIDS	179,386.68
UNAMORTIZED ISSUANCE COST	147,292.21
TOTAL CURRENT ASSETS	<u>79,873,741.16</u>
<u>NONCURRENT ASSETS</u>	
FIXED ASSETS	470,299,873.00
LESS:ACCUMULATED DEPRECIATION	(122,244,195.95)
CONSTRUCTION WORK IN PROGRESS	29,638,992.45
LONG TERM RECEIVABLES	637,568.54
DEFERRED WATER SUPPLY CONTRACTS	0.00
TOTAL NONCURRENT ASSETS	<u>378,332,238.04</u>
TOTAL ASSETS	458,205,979.20 =====
<u>LIABILITIES</u>	
=====	
<u>CURRENT LIABILITIES</u>	
ACCOUNTS PAYABLE	6,375,452.31
ACCOUNTS PAYABLE CAPITAL	1,506,281.65
ACCRUED PAYROLL LIABILITIES	287,949.67
NOTES PAYABLE	57,000,000.00
NOTES PAYABLE DISCOUNT	(93,333.32)
BONDS PAYABLE	11,090,000.00
DUE TO THE COUNTY	0.00
ACCRUED INTEREST	1,386,518.84
CONTRACT RETENTION	1,903,285.56
DEFERRED REVENUE	1,757,282.66
TOTAL CURRENT LIABILITIES	<u>81,213,437.37</u>
<u>NONCURRENT LIABILITIES</u>	
CAPITAL LEASE PAYABLE	35,967.35
REVENUE BONDS	50,375,000.00
UNAMORTIZED PREMIUM	(1,841,569.90)
GENERAL OBLIGATION BONDS	0.00
OTHER POST EMPLOYMENT BENEFITS LIAB.	46,766.00
DUE TO THE COUNTY	0.00
TOTAL NONCURRENT LIABILITIES	<u>48,616,163.45</u>
TOTAL LIABILITIES	129,829,600.82 =====

BALANCE SHEET

AS OF: AUGUST 31ST, 2011

01 -WATER FUND

2011-2012

ASSETS

BALANCE

BEGINNING EQUITY/RESERVES	<u>323,015,378.24</u>
TOTAL REVENUE	34,678,876.40
TOTAL EXPENSES	<u>29,317,876.26</u>
NET CHANGE	<u>5,361,000.14</u>
TOTAL EQUITY/RESERVES	<u>328,376,378.38</u>
NET ASSETS	458,205,979.20 =====

DU PAGE WATER COMMISSION
 REVENUE & EXPENSE REPORT (UNAUDITED)
 AS OF:AUGUST 31ST, 2011

01 -WATER FUND
 FINANCIAL SUMMARY

% OF YEAR COMPLETED: 33.33

	CURRENT BUDGET	CURRENT PERIOD	PRIOR YEAR PO ADJUST.	Y-T-D ACTUAL	Y-T-D ENCUMBRANCE	BUDGET BALANCE	% OF BUDGET
<u>REVENUE SUMMARY</u>							
WATER SERVICE	65,469,684	6,247,166.36	0.00	24,627,278.81	0.00	40,842,405.19	37.62
TAXES	31,014,000	2,539,120.91	0.00	10,023,937.62	0.00	20,990,062.38	32.32
OTHER INCOME	584,862	14,532.00	0.00	27,659.97	0.00	557,202.03	4.73
TOTAL REVENUES	97,068,546	8,800,819.27	0.00	34,678,876.40	0.00	62,389,669.60	35.73
=====							
<u>EXPENDITURE SUMMARY</u>							
<u>OPERATIONS</u>							
PERSONNEL SERVICES	4,162,437	298,158.50	0.00	1,149,954.32	0.00	3,012,482.68	27.63
CONTRACT SERVICES	826,500	53,461.44	0.00	238,781.01	0.00	587,718.99	28.89
INSURANCE	740,044	46,855.41	0.00	187,092.48	0.00	552,951.52	25.28
OPERATIONAL SUPPORT SRVS	999,745	25,206.22	0.00	92,083.84	0.00	907,661.16	9.21
WATER OPERATION	67,430,919	5,891,648.80	0.00	23,561,180.31	0.00	43,869,738.69	34.94
BOND INTEREST	5,973,115	423,088.21	0.00	1,741,018.60	0.00	4,232,096.40	29.15
LAND & LAND RIGHTS	31,750	0.00	0.00	0.00	0.00	31,750.00	0.00
CAPITAL EQUIP/DEPREC	6,961,405	506,461.19	0.00	2,292,916.00	0.00	4,668,489.00	32.94
CONSTRUCTION IN PROGRESS	0	(167,408.69)	0.00	500.00	0.00	(500.00)	0.00
CHGO CONSTR GRANT	0	54,349.70	0.00	54,349.70	0.00	(54,349.70)	0.00
TOTAL OPERATIONS	87,125,915	7,131,820.78	0.00	29,317,876.26	0.00	57,808,038.74	33.65
TOTAL EXPENDITURES	87,125,915	7,131,820.78	0.00	29,317,876.26	0.00	57,808,038.74	33.65
=====							
REVENUE OVER/(UNDER) EXPENDITURES	9,942,631	1,668,998.49	0.00	5,361,000.14	0.00	4,581,630.86	53.92
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DU PAGE WATER COMMISSION
 REVENUE & EXPENSE REPORT (UNAUDITED)
 AS OF:AUGUST 31ST, 2011

01 -WATER FUND
 FINANCIAL SUMMARY

% OF YEAR COMPLETED: 33.33

	Y-T-D BUDGET	CURRENT PERIOD	PRIOR YEAR PO ADJUST.	Y-T-D ACTUAL	Y-T-D ENCUMBRANCE	BUDGET BALANCE	% OF BUDGET
<u>REVENUE SUMMARY</u>							
WATER SERVICE	24,838,676	6,247,166.36	0.00	24,627,278.81	0.00	211,397.30	99.15
TAXES	10,079,550	2,539,120.91	0.00	10,023,937.62	0.00	55,612.38	99.45
OTHER INCOME	84,621	14,532.00	0.00	27,659.97	0.00	56,960.67	32.69
TOTAL REVENUES	35,002,847	8,800,819.27	0.00	34,678,876.40	0.00	323,970.35	99.07
<u>EXPENDITURE SUMMARY</u>							
<u>OPERATIONS</u>							
REBATE/ALW BAD DEBT STLM	0	0.00	0.00	0.00	0.00	0.00	0.00
PERSONNEL SERVICES	1,421,719	298,158.50	0.00	1,149,954.32	0.00	271,764.60	80.88
CONTRACT SERVICES	315,300	53,461.44	0.00	238,781.01	0.00	76,518.91	75.73
INSURANCE	246,681	46,855.41	0.00	187,092.48	0.00	59,588.88	75.84
OPERATIONAL SUPPORT SRVS	333,248	25,206.22	0.00	92,083.84	0.00	241,164.44	27.63
WATER OPERATION	25,846,439	5,891,648.80	0.00	23,561,180.31	0.00	2,285,258.31	91.16
BOND INTEREST	1,991,038	423,088.21	0.00	1,741,018.60	0.00	250,019.68	87.44
LAND & LAND RIGHTS	10,583	0.00	0.00	0.00	0.00	10,583.36	0.00
CAPITAL EQUIP/DEPREC	2,320,468	506,461.19	0.00	2,292,916.00	0.00	27,552.28	98.81
CONSTRUCTION IN PROGRESS	0	167,408.69	0.00	500.00	0.00	500.00	0.00
CHGO CONSTR GRANT	0	54,349.70	0.00	54,349.70	0.00	54,349.70	0.00
CONTINGENCY	0	0.00	0.00	0.00	0.00	0.00	0.00
BOND PRINCIPAL	0	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OPERATIONS	32,485,477	7,131,820.78	0.00	29,317,876.26	0.00	3,167,600.76	90.25
TOTAL EXPENDITURES	32,485,477	7,131,820.78	0.00	29,317,876.26	0.00	3,167,600.76	90.25
REVENUE OVER/(UNDER) EXPENDITURES	2,517,370	1,668,998.49	0.00	5,361,000.14	0.00	(2,843,630.41)	212.96