

**MINUTES OF A MEETING OF THE
FINANCE COMMITTEE
OF THE DUPAGE WATER COMMISSION
HELD ON THURSDAY, OCTOBER 18, 2012
600 EAST BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order at 6:03 P.M.

Committee members in attendance: P. Suess, J. Pruy, D. Russo, and J. Zay

Committee members absent: C. Janc

Also in attendance: J. Spatz, T. McGhee, C. Peterson and S. Lux of Baker Tilly

Minutes

Commissioner Pruy moved to approve the Regular Committee Meeting of September 20, 2012 Finance Committee Meeting. Seconded by Chairman Zay and unanimously approved by a Voice Vote.

All voted aye. Motion carried

Approval of Reconciliations

Mr. Lux noted that the reconciliations had been reviewed and approved.

Treasurer's Report – September 2012

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

Mr. Lux noted that cash and investment increased by \$3.4M in the month. He also discussed the new investment line item for the money market account at BMO Harris bank. BMO Harris is now being used as the lockbox account, so the balances there are increasing as the balance in the IL Funds accounts decreases. Also, the amount invested in Treasury Bonds increased as we continue to fund principal and interest accounts. Overall the portfolio is earning 53 basis points and remains well diversified.

Commissioner Pruy asked about the difference in cash in the balance sheet and the cash on the Treasurer's Report schedule titled Summary of Cash and Investments. Financial Administrator Peterson stated that the difference is the balance in the checking account at BMO Harris that is currently being shown as an investment account on the balance sheet and will need to be reclassified.

Cash flows from operating activities remain negative through the first five months, but are closer to breakeven. Mr. Lux noted that \$15.1M of debt and \$1.8M of interest had been paid year-to-date.

Mr. Lux noted that the total cash and investments was \$73 million and targeted amount in the O&M Account had decreased from the prior month again and by over \$3.3M since July. All targeted and required cash balances had been met.

Mr. Lux also reminded the Committee that interest payments for both debt certificates and the Revenue Bonds will be coming due over the next couple of months. General Manager Spatz then discussed the possibility of additional principal payments to reduce the debt certificate balance outstanding in December.

Financial Statements – September 2012

General Manager Spatz noted that the Meter Testing and Repairs account (60-6623) may be going over the management budget this year, but not the appropriation budget. Additional repair work may be needed on meters to further improve readings. In addition, General Manager Spatz discussed the Commission has started its next year budget process.

Financial Administrator Peterson provided the Committee with a summary of the September Financial Statements.

Revenue over expenditures increased to \$10.1M as of September 30, 2012 driven by strong water sales and Sales Tax collections that continue to trend positively over the prior year. Water usage has returned to levels more in line with historical averages.

Financial Administrator Peterson noted that all the reserve accounts are fully funded and compliant. It was noted that the General Account balance is currently \$9M higher than the required \$13M.

Financial Administrator Peterson discussed the improvement of cash on the balance sheet compared to the prior year. Also reviewed was the accounts receivable balance which remained consistent with prior month.

Commissioner Sues inquired about the increase in the deferred revenue account versus the prior year. Mr. Lux noted that account increased due to the early settlement of a receivable with DuPage County. The amount initially related to the County's buy in costs.

Financial Administrator Peterson reviewed certain accounts for budget versus actual activity that may change later in the year including personnel benefits and repair and maintenance accounts. Contribution income has increased due to further progress at the Steeple Run location.

Property and Liability Insurance

Mr. Nugent stated that his firm issued a coverage insurance request for proposal to two firms, his recommendation was to renew with Marsh. He talked about the pressure on and rate increases in property insurance. Overall there is a slight increase in rates but still are a reasonable deal. General Manager Spatz noted that even with the increase

rates are still below what was paid in the 2010/2011 and also below what was approved last year.

Commissioner Pruyn asked to explain the pollution policy line. Mr. Nugent recommended the 3 year pollution policy to remain with Gallagher. The rates remained relatively unchanged from the prior 3 year policy.

Chairman Zay asked what the Commission largest liability is. Mr. Nugent stated that was the Commission's property insurance. Mr. Nugent also stated that due to the Commission complex underground pipe structure that only two insurance companies offer the type of property insurance that is needed. Mr. McGhee noted that the Commission has continued to review other possible options, but that the competitive bid process has worked the best for the Commission so far.

Commissioner Pruyn made a motion recommending the insurance proposal as recommended by the Commission's consultant. Seconded by Commissioner Russo and unanimously approved by a Voice Vote.

Chairman Suess recused himself from this vote. All others voted aye. Motion carried

Workers' Compensation and Employer's Liability Insurance

Mr. McGhee informed the committee that the Workers' Compensation liability insurance will be presented next month.

Update on Treasurer Position

General Manager Spatz stated that the candidate for Treasurer was to be interviewed by the whole committee at the meeting of the whole later that evening. General Manager Spatz also noted that the Commission had Mr. Nugent look into bonding costs and it should not be an issue. Mr. Nugent noted there was difficulty in prior years, but things have turned around enough that the desired amount of coverage should not be an issue.

Chairman Zay noted that the Commission should review the amount of coverage needed based upon historical coverage and the review other local treasurers. General Manager Spatz stated the number is at the Commissions discretion and not based upon on an ordinance. Chairman Suess recommended the decision of the amount of coverage needed be an agenda topic for the next meeting.

Chairman Zay, General Manager Spatz and Mr. McGhee leave the meeting.

Update on Request for Proposals from Auditors

Financial Administrator Peterson noted that the Commission received four proposals from audit firms. The Committee then chose to delay further decisions regarding the timing of interviews with the auditors until the November meeting.

Update on Request for Proposals for Bond Counsel

Financial Administrator Peterson stated that the Commission received seven proposals for bond counsel. The Committee decided that the top candidate would be recommended at the November General Board Meeting. In addition, it was decided that the request for proposal for Underwriters should be sent out immediately so that the top three Underwriters could be interviewed on the prior to the November General Board Meeting.

Election of Interest Period under Northern Trust Certificate of Debt

Financial Administrator Peterson stated that the Libor rate for one month is 0.21% which down slightly from last month, which was .22%.

The committee members agreed to reset the interest period to one month.

Accounts Payable

Financial Administrator Peterson presented the Accounts Payable to the committee members. The estimates number originally included in the package had been revised. The revised numbers below were to be presented in the General Meeting.

Sept 12, 2012 to Oct 9, 2012	\$ 6,169,620.14
<u>Estimated</u>	<u>\$ 999,569.76</u>
Total	\$ 7,169,189.90

Other

Financial Administrator Peterson discussed the issuance of a Request for Proposal for Underwriters within the next week.

Adjournment

Commissioner Russo moved to adjourn the meeting at 7:00P.M. Seconded by Commissioner Pruyin and unanimously approved by a Voice Vote.