

**MINUTES OF A MEETING OF THE  
FINANCE COMMITTEE  
OF THE DUPAGE WATER COMMISSION  
HELD ON THURSDAY, NOVEMBER 15, 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. Pruyn, D. Russo (arrived at 6:18PM), C. Janc (arrived at 6:27PM) and J. Zay

Committee members absent: None

Also in attendance: J. Spatz, T. McGhee, C. Peterson and D. Ellsworth

**Minutes**

Financial Administrator Peterson stated there was a correction to the minutes as presented. On page 4 under the heading of Other, the word Auditors would be changed to Underwriters.

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

All voted aye. Motion carried.

**Approval of Reconciliations**

Financial Administrator Peterson stated that she had reviewed the reconciliations. In addition, Treasurer Ellsworth noted that he had started reviewing the reconciliations and no issues had been found so far.

**Treasurer's Report – October 2012**

Financial Administrator Peterson provided the Committee with a summary of the October Treasurer's Report as Treasurer Ellsworth had just been approved by the DuPage County Board on Tuesday, November 13, 2012.

Financial Administrator Peterson noted that cash and investment increased by \$2.1M in the month. She also discussed the movement between a couple of the investment accounts reflected the liquidation of investments in anticipation of the November 1<sup>st</sup> interest payment due on the revenue bonds. Financial Administrator Peterson stated that due to the timing of receivables, cash used for operating activities increased in the current month. This trend is expected to reverse itself in the current month.

Financial Administrator Peterson stated the level of unrestricted cash at month end was nearly \$18.9M and all targeted reserve levels were met. Debt balances remained at

\$95M. General Manager Spatz then reminded the committee that the amount of possible principal payments to reduce the debt certificate balances outstanding in December will be discussed at the next meeting.

Financial Administrator Peterson stated that since month end the Commission has moved all of its funds out of the BMO money market account. General Spatz noted that the move was due to complications and inconsistencies between the Commission's policies, an agreed upon pledge agreement and a third party agreement. Commissioner Pruyn asked if the Commission was close to a solution in order to complete the process. General Manager Spatz replied that BMO Harris sent a new form that would allow third party collateralization with the Federal Government rather than a bank and that form was being reviewed by our General Counsel.

Mr. Gerald Gorski, from Gorski and Good, relayed that the inconsistencies between the agreements previously mentioned was further complicated by the new investment policy implemented in March 2012. Chairman Suess asked what the variance with the investment policy was. Mr. Gorski, noted that allowing the bank to control the investments in the collateral account rather than the Commission is one issue. Other issues were then discussed by Mr. Gorski. General Manager Spatz replied that additional modernization of some of the forms and policies used and followed could be presented at the beginning of next year.

#### **Update on Treasurer Surety Bond**

General Manager Spatz stated that the Commission had researched what level of bond coverage other local agencies had for their treasurers. Most cities purchased at least three times coverage based upon population, which would equate to approximately \$3M for the Commission. The county treasurer is bonded at \$5M. General Manager Spatz then recommended insuring the new treasurer at \$5M. It was agreed that Commissioner Pruyn will recommend the \$5M coverage at the General Meeting.

Chairman Suess will need to recuse himself from this vote.

#### **Update on Recommendation for Bond Counsel**

Financial Administrator Peterson restated the decision of the Finance Committee at the Special Meeting on November 8, 2012, that the recommendation for Bond Counsel would be Ice Miller LLP. The recommendation would also include a not to exceed amount of \$60,000 based upon the possibility of the Commission issuing public debt.

Chairman Suess and Commissioner Pruyn both noted that the fee was based upon Ice Miller being both bond counsel and lead on disclosure documents. General Spatz stated that the fee would need to be negotiated further if the Commission chose to do a direct placement deal rather than issue public debt.

#### **Update on Recommendation for Underwriter**

General Manager Spatz stated that from our interviews and direction of the Finance Committee at the Special Meeting on November 8, 2012, he would recommend appointing BMO Harris with a not to exceed amount of \$82,000 for the same reasons as bond counsel. General Manager Spatz noted that this amount would give the Commission the ability to use BMO Harris whether the Commission chooses to do a direct placement deal or issue public debt to refinance the current bonds outstanding. He has started negotiating with BMO Harris regarding the option to refund the debt through a direct placement deal based upon the Committee's recommendation at the Special Meeting of November 8<sup>th</sup>.

### **Update on Refunding Process with PFM**

General Manager Spatz presented a brief update to the Committee on his negotiations with BMO Harris regarding a direct placement debt deal including all in interest rates costs and the levels of reserves that would be required.

Financial Administrator Peterson then introduced Jill Jarowski and Brian LePenske from PFM to discuss the pros and cons of refinancing through capital markets or a direct placement deals. PFM has seen an increase in clients doing private placement deals. Commissioner Pruyn asked if a prospectus would be needed in a private deal. Ms. Jarowski replied no. She stated the covenants and detail should be monitored closely in a private deal as the bank is usually dictating the terms as opposed to a public deal where the issuer can set up the covenants. The discussion then focused what the market would accept at what price. The other topics reviewed were credit risk and tax events.

General Manager Spatz left the meeting at 6:45PM.

### **Financial Statements – October 2012**

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

Revenue over expenditures increased to \$12.2M as of October 31, 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 but still greater than budget.

Financial Administrator Peterson noted that all the reserve accounts are fully funded and compliant. It was noted that the General Account balance is currently \$10.7M higher than the required \$13M.

Financial Administrator Peterson discussed the improvement of cash on the balance sheet compared to the prior year. Commissioner Pruyn asked about the increase in interest receivable. Financial Administrator Peterson and Jeff Schroeder from PFM replied that it was related to a greater diversity in investments and the timing of when interest is paid on those investments.

Financial Administrator Peterson detailed the activity in other income for the first six months of the year. Financial Administrator Peterson noted that the Meter Testing and

Repairs account (60-6623) did go slightly over the management budget this month, but not the appropriation budget. Additional repair work may be needed on meters to further improve readings.

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. Interest Expense remains favorable due to rates and principal payments made earlier in the year.

### **Ordinance No. O-13-12**

Financial Administrator Peterson stated this Ordinance allows for funds to be moved within the Appropriation Budget to account for the additional funds needed to complete Emergency Generator Construction as outlined in R-41-12. There was no budgeted amount set aside in the current year for this expense.

### **Environmental Liability Insurance**

The recommendation was to renew the 3 year pollution policy to with AJ Gallagher again. The rates remained relatively unchanged from the prior 3 year policy. Chairman Zay noted this was part of the presentation from Michael Nugent last month.

### **Workers' Compensation and Employer's Liability Insurance**

Financial Administrator Peterson detailed that the overall policy only increased slightly, but the dates of the coverage has changed. The amount to be recommended to the Board is \$85,000 to account for the full year cost plus the additional one-half of month of coverage.

### **Update on Request for Proposals from Auditors**

The Committee chose to hold a special meeting in December to interview the four candidates in order to recommend a specific firm at the December 20, 2012 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 was the same rate as last month.

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 numbers below were to be presented in the General Meeting.

Oct 10, 2012 to Nov 6, 2012	\$ 5,702,526.49
<u>Estimated</u>	<u>\$ 1,750,068.97</u>
Total	\$ 7,452,595.46

Chairman Zay left the meeting at 7:00PM.

### **Quarterly Update and Investment Review**

Financial Administrator Peterson then introduced Jeff Schroeder from PFM. Mr. Schroeder discussed the investment results for the Commission for the quarter ended September 30, 2012. Also discussed were additional investment suggestions for specific accounts. Chairman Suess requested that a slide be included in future presentations that show the investments against the investment guideline limitations as detailed in the Commission's investment policy. It was also requested that PFM show earning rates on both a gross and net basis going forward. Commissioner Janc requested the reports be sent out prior to the committee meeting.

### **Other**

No additional topics were discussed.

### **Adjournment**

Commissioner Russo moved to adjourn the meeting at 7:16P.M. Seconded by Commissioner Pruyun and unanimously approved by a Voice Vote.