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# The Civic Federation

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### CIVIC FEDERATION SUPPORTS FY2015 MWRD BUDGET

#### *Full analysis praises District's long-term planning, updated pension funding goal*

(CHICAGO) In an analysis released today, the Civic Federation supports the Metropolitan Water Reclamation District's (MWRD) FY2015 Tentative Budget of \$1.3 billion and praises the organization's continued use of long-term financial planning to guide its operations and future projects. However, the Federation is concerned that the District's FY2015 budget and five-year financial projections through FY2019 reflect annual maximum increases to its property tax levy at a time when other local governments are minimizing their property tax impact. The full 53-page analysis is available at [www.civicfed.org](http://www.civicfed.org).

The FY2015 proposed budget increases the District's total property tax levy by 3.7% to \$560 million, including increases to non-tax-capped funds and a maximum increase to those limited to an annual increase of 5.0% or the rate of inflation, whichever is less. The District's five-year financial projections show similar property tax increases each year through FY2019 as necessary to balance its budgets.

"The Civic Federation continues to view the MWRD as a model for long-term financial planning and we acknowledge that the District faces significant challenges in funding its pensions and other costs," said Laurence Msall, president of the Civic Federation.

"However, we encourage the District to balance this need with expenditure controls and other revenue sources rather than relying on automatic annual property tax increases as projected."

One potential new revenue source is set forth in the District's Strategic Business Plan for FY2015 and beyond. This plan incorporates state legislation passed in 2014 that will allow the MWRD to resell resources like biosolids and phosphorus recovered through the District's normal treatment process. The markets for these byproducts have the ability to become new revenue streams for the MWRD. The District's commendable long-term planning also includes a comprehensive and publicly-available Capital Improvement Plan.

In 2012 the MWRD successfully petitioned the Illinois General Assembly for legislation that will gradually increase employee and employer contributions to the District's pension fund. These reforms have started to stabilize the fund. After 15 years of steady decline, the actuarial value funded ratio of the District's pension fund increased to 54.1% in FY2013 from 50.4% in FY2012. Though improved, this is still far from the optimum situation of 100% funded. The Civic Federation strongly supports a new goal passed by the MWRD Board of Commissioners this year to make pension contributions sufficient to achieve 100% funding by 2050.

Unlike other local governments in the Chicago region, the MWRD is allowed to contribute more than the statutory requirement to its pension fund, as long as the additional funding comes from interest earned on other accounts. The District transferred an additional \$30 million to its Retirement Fund in FY2013 and \$12 million in FY2014. The Civic Federation encourages the District to continue making additional contributions when available.

The full report also commends the creation and funding of the District's retiree health care trust. Through additional contributions in recent years, the trust reached 50% funding in 2014. This well exceeds the District's original goal of reaching 50% funding by 2055.

*The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and State of Illinois. For more information, please visit the Federation's website at [www.civicfed.org](http://www.civicfed.org).*



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