METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO
FY2004 PROPOSED BUDGET
Analysis and Recommendations

Prepared By
The Civic Federation
December 10, 2003

EXECUTIVE SUMMARY

The Metropolitan Water Reclamation District of Greater Chicago (MWRD) proposes a revised tentative FY2004 budget of $848.3 million. The budget includes a 2.1% property tax increase.

The Civic Federation commends the MWRD for its FY2004 budget on the following points:

- The MWRD has reduced its property tax levy by $2.7 million from the tentative FY2004 budget proposal. The new estimated levy is $406.2 million, an increase of 2.1% over FY2003 instead of the originally proposed 2.8% increase.
- The MWRD has drawn down its Corporate Fund balance from a high of $77.7 million in FY2001 to an estimated $41 million in FY2004.
- MWRD personnel has been reduced by over 240 positions, or 10.2%, in the last ten years, and the District is planning a reduction of 170 more jobs in the next five years through attrition and targeted vacancy elimination.

The Civic Federation offers the following **key findings** on the MWRD's FY2004 finances based on analysis of its FY2004 revised tentative budget and FY2002 audited financial statements:

- The FY2004 revised tentative budget is $848.3 million. However, the final budget approved later this month is likely to be higher. The difference between the tentative and final budget amounts is due to uncertainty regarding the timing of capital projects awards.
- The property tax levy will increase from $397.7 million to $406.2 million. This is a 2.1% or $8.5 million increase.
- Corporate Fund appropriations will increase by $9.7 million, or 3.4%, from $290.7 million to $300.5 million.
- Twenty-seven vacant positions will be eliminated in FY2004, reducing the total number of positions from 2,186 to 2,159.
- The District's unreserved, undesignated fund balance totaled $110 million in FY2002 for an operating fund balance ratio (unreserved fund balance divided by operating expenditures) of 37.4%. This level of fund balance is considered "substantial" by the Civic Federation.
- Net assets (fund balance) appropriable for the Corporate Fund in FY2004 will be $41.4 million, or 13.7% of proposed appropriations in that fund. Of that amount, $35.8 million will be net assets appropriated. $5.4 million will be unappropriated net assests.
- Reserve Claim Fund expenditures are projected to decrease to $3.5 million from $3.6 million while the Reserve Claim Fund's fund balance will increase from $31 million to $33 million.
- MWRD bond issues maintain high bond ratings (AAA from Fitch, AAA from Moody's, AA+ from Standard and Poor's).

The Civic Federation offers the following specific **recommendations** on ways to improve the District's revenue stream and financial management:

- The District should pursue **joint purchasing of health insurance** with other local governments, for a potential savings of millions of dollars annually.
- The **budget document** should include a short, user-friendly executive summary with trend information on revenues, expenditures, fund balances and personnel.
- The District should continue to seek ways to **minimize the property tax levy**, including drawing down the fund balance to 7-10%, still well within Government Finance Officer's Association standards.

STATEMENT ON THE TENTATIVE FY2004 BUDGET OF THE METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO, DECEMBER 10, 2003

The Civic Federation would like to thank President Terrence O'Brien, General Superintendent John Farnan, Budget and Employment Committee Chairman Harry "Bus" Yourell, and the Board of Commissioners for this opportunity to comment on the revised tentative FY2004 budget of the Metropolitan Water Reclamation District (MWRD) of Greater Chicago. We wish to commend Budget Officer Kenneth Senderak, Administrative Services Manager John Farris, and their staffs for their hard work in preparing this budget, as well as their willingness to meet with us and provide additional information.

As a government tax and fiscal research organization, the Civic Federation has closely monitored and commented on the fiscal health of local area governments since 1894.

OVERVIEW OF TESTIMONY

The Civic Federation recently concluded an analysis of financial issues related to the MWRD's revised tentative FY2004 budget.[1] Based upon that analysis, we would like to offer the following comments. The full text of our analysis follows this summary and is also available on our Web site at www.civicfed.org.

The Civic Federation believes that the MWRD's plan to continue drawing down its substantial fund balance and continue implementing its personnel reduction program budget are positive steps. The Civic Federation commends the District for decreasing its proposed property tax levy by $2.7 million from the original FY2004 budget proposal. Unlike past years, this budget provides some taxpayer relief by not increasing the MWRD total property tax levy up to the statutory limit (estimated at 2.6%), but instead levies a 2.1%, or $8.5 million increase over FY2003. In these economically challenging times, drawing down the fund balance is preferable to further burdening taxpayers.

For several years, the Federation's budget testimony has called on the District not to increase its property tax levy to the maximum amount allowable under property tax caps because the District's revenues consistently and significantly exceed its expenditures, and because the District maintains significant fund balances and reserve funds.

The District's forbearance this year regarding the property tax levy does not compromise its ability to levy up to the cap in the future. Based on our reading of the Property Tax Extension Limitation Law (PTELL), we do not believe that the MWRD needs to annually increase its property tax levy to preserve its ability to increase its levy in the future. PTELL (35 ILCS 200/18-185) states that, "For those taxing districts that reduced their aggregate extension for the last preceding levy year, the highest aggregate extension in any of the last three preceding levy years shall be used for the purpose of computing the limiting rate." The practical implication of this legislative directive for Cook County taxing agencies is that their tax cap is based on the largest extension from the previous three years. Therefore, the MWRD would be able to completely forego an increase in the property tax levy this year without losing the ability to increase its property tax levy to the maximum amount in the future if necessary.

[1] Information on the "revised tentative" budget is from a December 8, 2003 letter from Superintendent Farnan to the Board of Commissioners titled "Changes to the Tentative 2004 Budget / Budget Motions."

The Civic Federation would like to offer the following recommendations to the MWRD to improve its financial management and to make its budget document more user-friendly to citizens.

The Civic Federation urges the MWRD to consider joining with other local governments to pursue the joint purchasing of health care insurance. Seven major governments recently joined together to advertise a joint Request for Proposals (RFP) for the purchase of prescription drugs. The next step will be the formation of a joint insurance pool consisting of the employees of the City of Chicago, Cook County (excluding the Forest Preserve District), Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield projected savings of $40.1 million in the first year or $222 million over a 5-year period.[2] The MWRD could achieve similar benefits and savings by participating in this project.

The MWRD's annual budget contains a wealth of data and substantial narrative description and provides useful narrative information, including trends. We believe that ease of use would be improved even more if the budget included summary tables of key information such as revenue sources and amounts over time, fund balance re-appropriations over time, appropriations by department over time, personnel by department over time, and personnel by administrative vs. non-administrative classification. This information could be provided at the front of the document in a short executive summary.

The Civic Federation encourages the MWRD to continue in the direction taken this year by holding the line on property taxes in years to come instead of levying to the limit. Continuing to draw down the substantial fund balance is one way to achieve this goal. The proposed FY2004 Corporate Fund balance of $41.4 million represents 13.7% of the FY2004 appropriations. We recommend that the District further reduce its Corporate Fund balance to 7-10% of appropriations, still well within the Government Finance Officer's Association guidelines. In addition, commitment to the personnel reduction program in future years is essential to controlling costs and minimizing increases in the annual property tax levy.

FY2004 BUDGET HIGHLIGHTS

The tentative FY2004 MWRD budget is $848.3 million. This is a $71.1 million, or 7.7% decrease from the FY2003 adjusted appropriation of $919.4 million. The FY2004 revised tentative budget includes the following highlights:

- A 2.1% increase in the property tax levy. This represents a nearly $8.5 million rise from $397.7 million to $406.2 million.
- The elimination of 27 vacant positions from FY2003. This will reduce headcount from 2,186 to 2,159.
- A $9.7 million, or 3.4%, increase in Corporate Fund appropriations.
- A $60 million reduction in the Capital Improvements Bond Fund in the revised tentative budget, although capital appropriations are reviewed and revised continually and more projects may be awarded.

[2] The Civic Federation. *Feasibility Study of Consolidated Purchasing: Chicago Public Employers*. A Study Conducted by the Segal Company. February 23, 2001.

FINANCIAL ISSUES AND TRENDS

This section provides summaries of key issues likely to affect the District's financial situation in the upcoming fiscal year as well as expenditure, appropriation and revenue trends.

All Fund Appropriations: $848.3 million Proposed in Tentative FY2004 Budget

The MWRD proposes to appropriate $848.3 million in FY2004 in the tentative budget. However, if tradition is followed, the final adjusted budget will probably be approved by the Board of Commissioners at a higher amount. The difference between the tentative and final budget amounts is due to uncertainty regarding the availability of revenues for capital projects until a date later than publication of the tentative budget. Therefore, it is impossible to make an accurate comparison between a proposed tentative budget and a preceding year final adjusted budget.

With the preceding caveat in mind, comparing the FY2004 tentative budget to the FY2003 final budget shows a 7.7% decrease in the FY2004 appropriation from the preceding year. Most of the reduction in the FY2004 appropriation, or approximately $71.3 million, comes in the Capital Improvements Bond Fund. The decrease reflects a historical pattern in the awarding of major capital projects, which are generally made after the Tentative Budget has been released.[3]

The Corporate Fund is projected to increase by $9.7 million, or 3.4%, due to the consolidation of charges for retiree health and life insurance benefits in the Corporate Fund's Personnel Department, rising health care costs, cost of living adjustments, and 8 additional maintenance project contracts awarded from the Engineering Department of the Corporate Fund.

The $2.7 million decrease in the Bond Redemption & Interest Fund is a result of the schedule for principal repayment on the refunding bonds.

There is a reduction in the Construction Fund of $21.4 million due to scheduling of projects and shifts in funding for some Construction Fund projects to the Capital Improvements Bond Fund. In addition, $727,700 of retiree benefits costs was transferred from the Construction Fund to the Corporate Fund.

MWRD Major Fund Appropriations: FY2003 & FY2004				
	2003 Adj.	2004 Prop.	% change	$ change
Corporate Fund	$290,794,300	$ 300,578,700	3.4%	$ 9,784,400
Construction Fund	$ 84,725,400	$ 63,584,600	-25.0%	$ (21,140,800)
Capital Improvements Bond Fund	$325,701,100	$ 265,092,800	-18.6%	$ (60,608,300)
Retirement Fund	$ 27,137,182	$ 28,678,392	5.7%	$ 1,541,210
Reserve Claim Fund	$ 31,000,000	$ 33,000,000	6.5%	$ 2,000,000
Bond Redemption & Interest Fund	$160,135,816	$ 157,422,157	-1.7%	$ (2,713,659)
Total Appropriations	**$919,493,798**	**$ 848,356,649**	**-7.7%**	**$ (71,137,149)**

The exhibit below shows MWRD budget appropriations from FY2000 to FY2004. It compares the original Tentative Budget appropriation proposed in each of those years with the final Adjusted Budget. Adjusted appropriations, to a certain extent, reflect the inclusion of capital

[3] Prior year obligations for the Capital Improvement Bond Fund are included each year in the final budget as appropriations for liabilities.

project awards made after the initial release of the budget. Between FY2000 and FY2003, adjusted appropriations declined by 4.6%, from $964 million in FY2000 to $919 million in FY2003. The FY2004 appropriation has already been increased by $80 million over the original tentative budget, and is likely to change again.

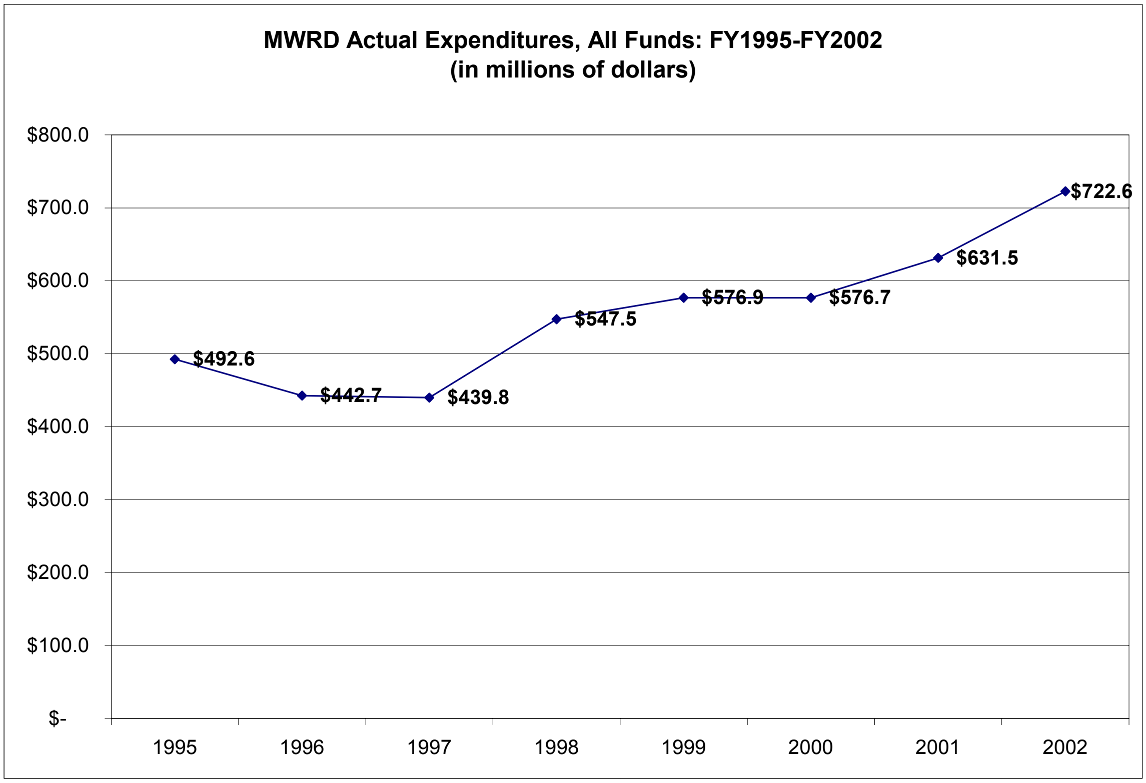
MWRD APPROPRIATIONS: FY00-FY04			
	Originally Proposed	Adjusted	Variance
FY2000	$ 963,863,493	$ 964,090,014	$ 226,521
FY2001	$ 924,196,538	$ 975,661,391	$ 51,464,853
FY2002	$ 793,431,326	$ 1,007,358,326	$ 213,927,000
FY2003	$ 758,497,339	$ 919,493,798	$ 160,996,459
FY2004	$ 768,177,049	N/A	N/A

The large variance between original and adjusted appropriations in recent fiscal years is due in large part to changes in award schedule or the design and development readiness of capital projects. The MWRD's future capital projects are included on its project lists published in the budget. These lists include projects planned for award in the budget year and projects that are planned for award in the future. Projects can also be under development and consolidated or split of from projects in the list. The readiness of projects for advertising and possible award in the next budget year is not known with great accuracy until about late November of the prior year. Projects added for appropriation at the adopted or amended stage in December are in most cases included on the project lists for future award in earlier versions of the Budget. The possibility of federal or state financial participation, aside from the State Revolving Fund program, is also not known very early in the prior year. Thus, the decision to appropriate for a project will often not be made until that financing is certain.[4]

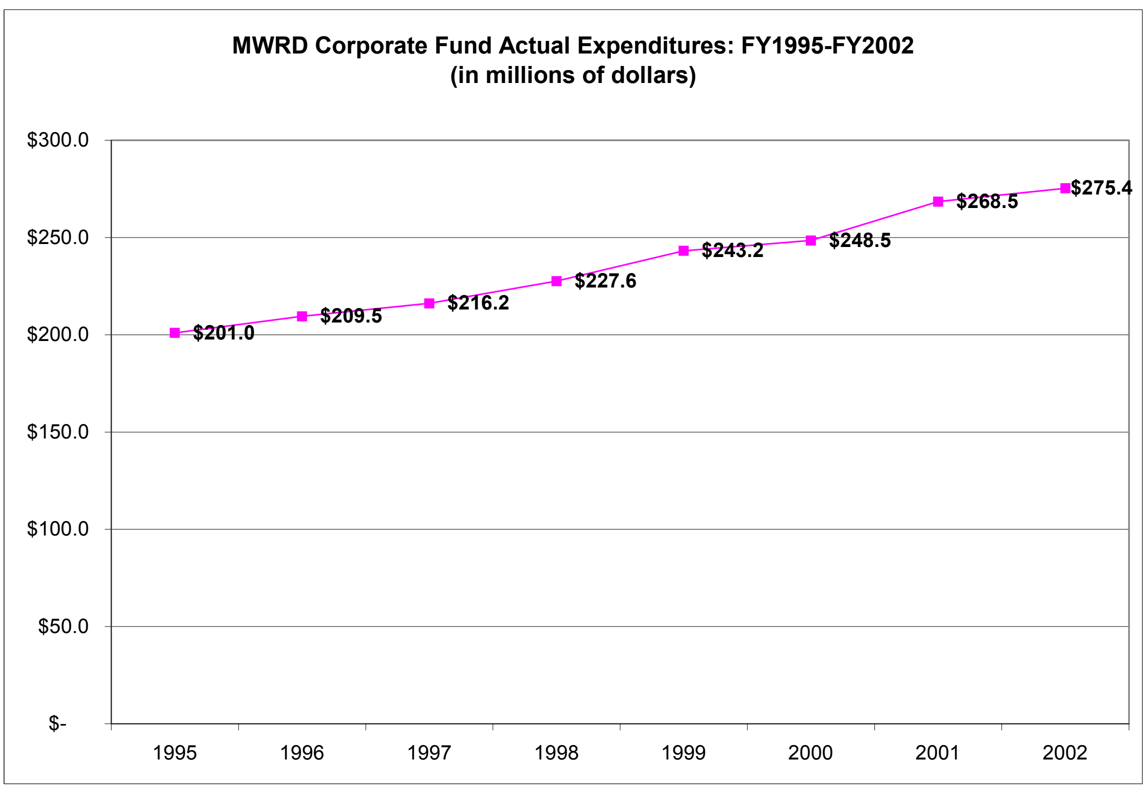
All Fund Expenditures: 9-year Increase of 45%

Between FY1995 and the estimated expenditures for FY2003, MWRD actual expenditures for all funds have increased $230 million, or 47%, from $452.6 to $722.6 million.

[4] These comments are drawn from a communication from John Farris, MWRD Administrative Services Manager, December 8, 2003.



Corporate Fund expenditures grew $74.4 million, or 37%, between 1995 and 2002, averaging 4.6% annual growth.



MWRD Current Fund Balance Ratio: 37.4% Ratio in FY2002

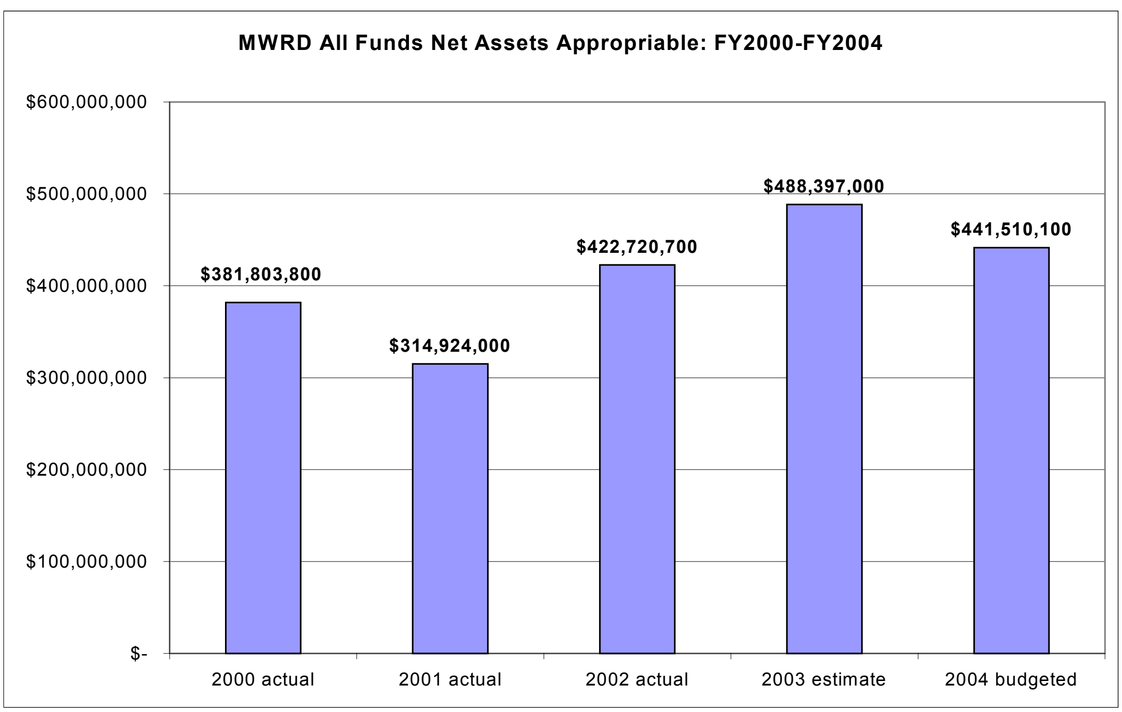
The current fund balance ratio was devised by the Civic Federation to measure a government's ability to meet its financial obligations over time, long enough to convert illiquid assets to cash. It is calculated by dividing General Corporate and Special Revenue Fund expenditures by the unreserved fund balances in those funds. Historic trends are presented below for the MWRD for FY1998 through FY2002. Ratios over 50% as categorized as "High," 25% to 50% as "Substantial," 10% to 25% as "Adequate and 10% or less as "Low."

The MWRD maintained a "Substantial" current fund balance ratio between FY1998 and FY2002. During that time period, the fund balance ratio averaged 39.2%. In FY2002, the ratio was 37.4%, down from 43.0% in the previous fiscal year.

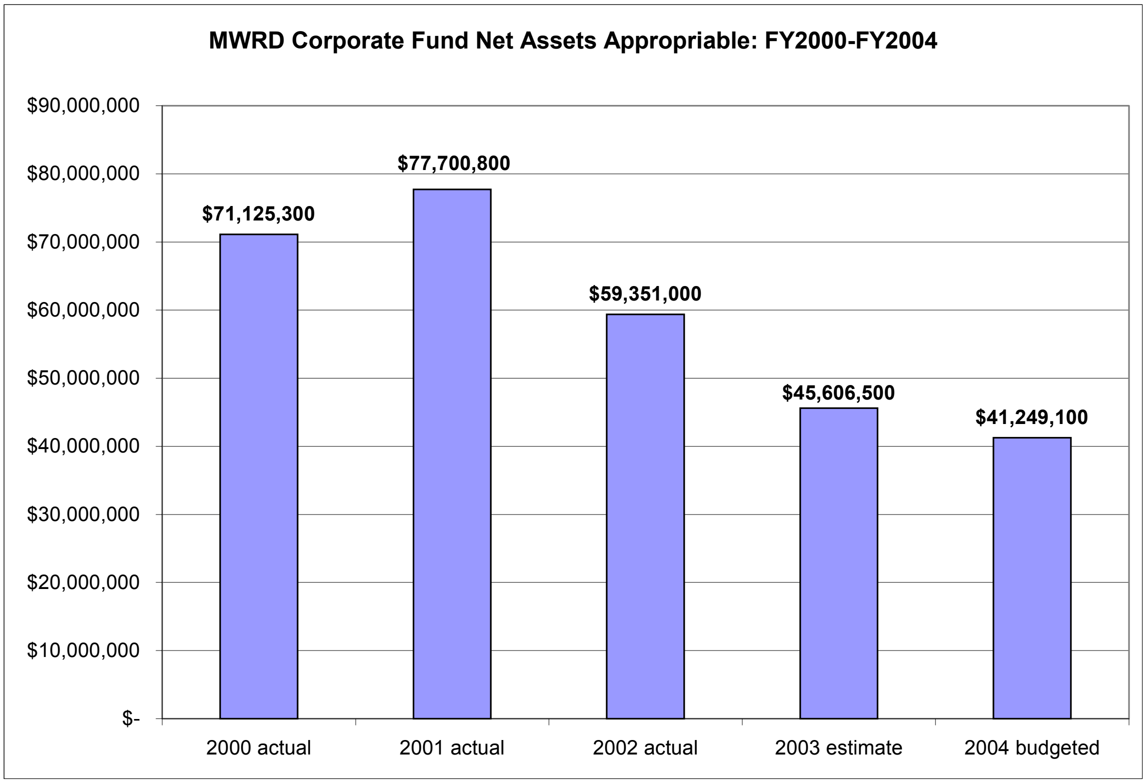
MWRD CURRENT FUND BALANCE RATIO				
	GF & SRF	GF & SRF		
FY	Fund Balance	Operating Exp.	Ratio	Rating
1998	$ 94,713,000	$ 252,318,000	37.5%	Substantial
1999	$ 100,597,000	$ 273,000,000	36.8%	Substantial
2000	$ 115,538,000	$ 281,824,000	41.0%	Substantial
2001	$ 127,347,000	$ 296,489,000	43.0%	Substantial
2002	$ 110,564,000	$ 295,530,000	37.4%	Substantial
Average	**$ 109,751,800**	**$ 279,832,200**	**39.2%**	**Substantial**

Net Assets Appropriable: All Funds Increase of 16% Since FY2000

The next two exhibits show trends for MWRD net assets appropriable (beginning of the year fund balance). The first exhibit shows net assets appropriable for all funds and the second for only the Corporate Fund. Net assets appropriable for all funds are projected to increase by 15.6% between FY2000 and FY2004, from $381.8 million to $441.5 million.



Corporate Fund net assets are projected to decline from $71.1 million in FY2000 to $41.2 million five years later. Five million dollars of that $41.2 million will remain unappropriated to provide for a fund balance in the Corporate Fund. This is a $4 million decrease from the amount originally proposed in the first draft of the tentative budget.

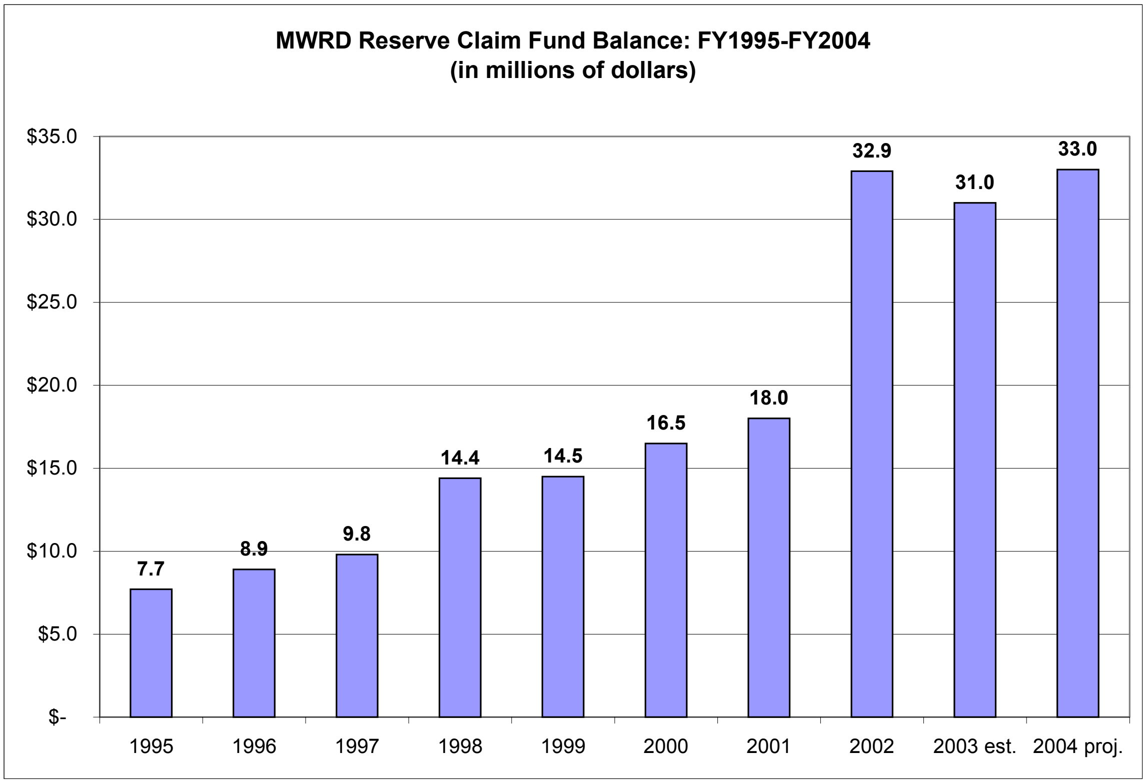


Reserve Claim Funds: $33 million in FY2004

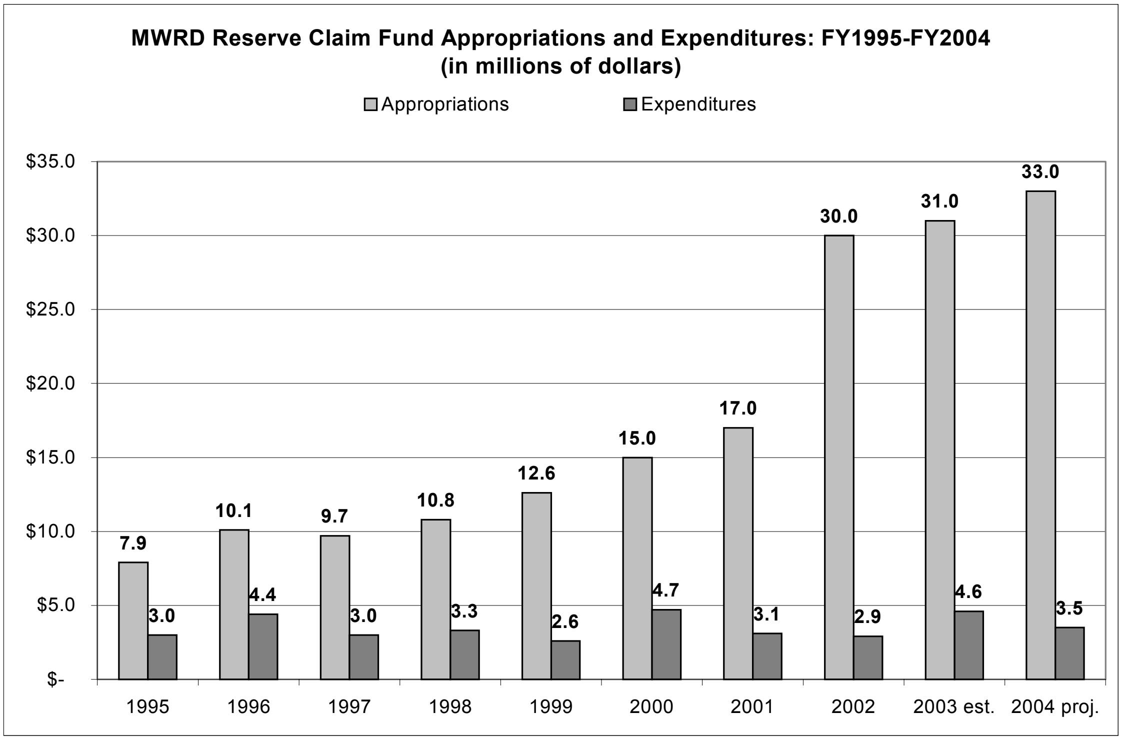
The MWRD Reserve Claim Fund is a self-insurance fund intended to retain sufficient reserves to cover claim expenses. It consists of two line items: Account 601090 for Employee Claims and Account 667220 for General Claims and Emergency Repair and Replacement Costs Over $10,000. The former pays workers' compensation and other employee claims, while the latter pays general claims and judgments against the MWRD, as well as repair and replacements to its facilities. In FY2004, $7 million, or 21% of the Reserve Claim Fund is designated for Employee Claims while $26 million, or 79%, is for General Claims.

By Illinois statue, the Reserve Claim Fund accumulated balance may not exceed .05% of equalized assessed valuation (EAV), or $51.4 million in FY2004. The Reserve Claim Fund's annual property tax levy is limited to .005% of EAV, or $5.1 million. It is MWRD Board of Commissioners policy to levy the maximum amount allowable in order approach the statutory limit.

Over the last ten years, the fund balance has increased by an average of $3.2 million annually, with the exception of a spike in FY2002, when $10 million reserved for liabilities was transferred from the Corporate Fund to the Reserve Claim Fund. The FY2004 fund balance is projected at $33 million.



Over the last ten years, the annual Reserve Claim Fund expenditure has been $3.5 million, with a low of $2.6 million and a high of $4.7 million. The FY2004 expenditure is projected at $3.5 million. The FY2004 appropriation of $33 million represents FY2003 balance carried over, plus the Reserve Claim Fund FY2004 property tax levy of $5.1 million. The FY2004 appropriation is sufficient to cover almost ten times the projected FY2004 expenditure.



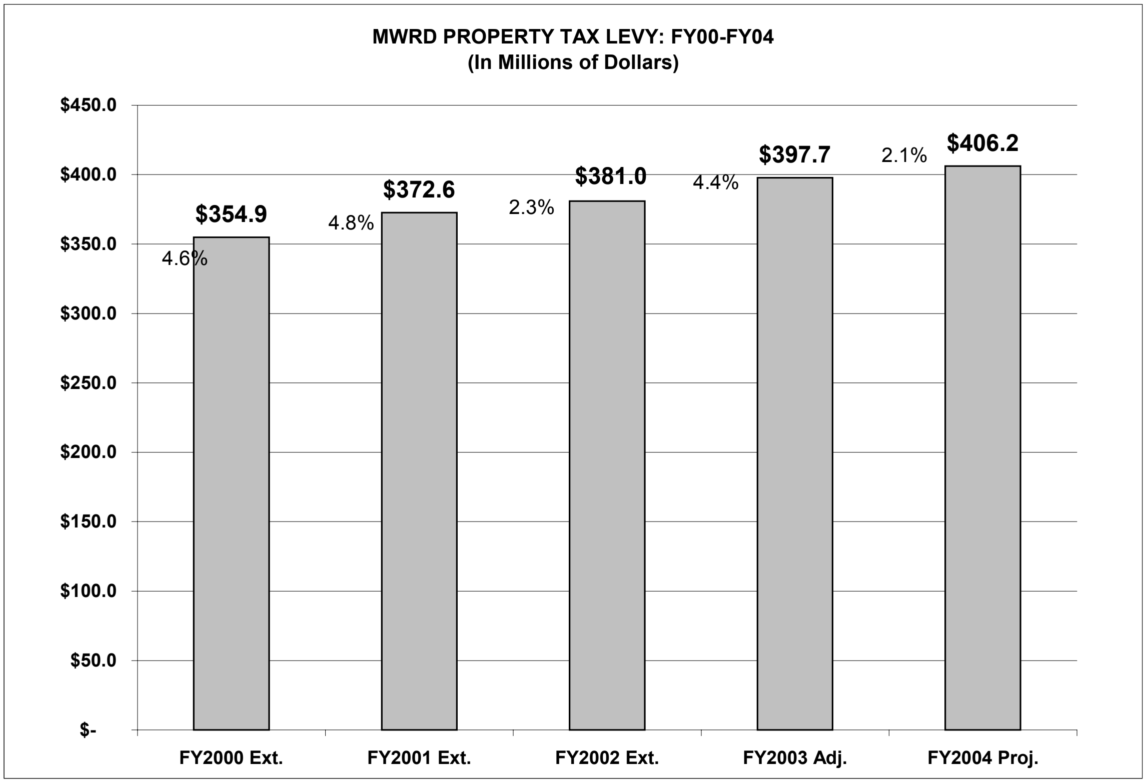
Major Revenues Up 2.4% in FY2004

The exhibit below shows projected changes in the District's major revenues between FY2003 and FY2004. The gross property tax levy will be increased 2.1%. Personal Property Replacement Tax (PPRT) revenues are expected to be steady, while investment interest income is projected to decline by 15%. Lease revenue will increase by $250,000, or 4.5%. User charges are projected to increase slightly.

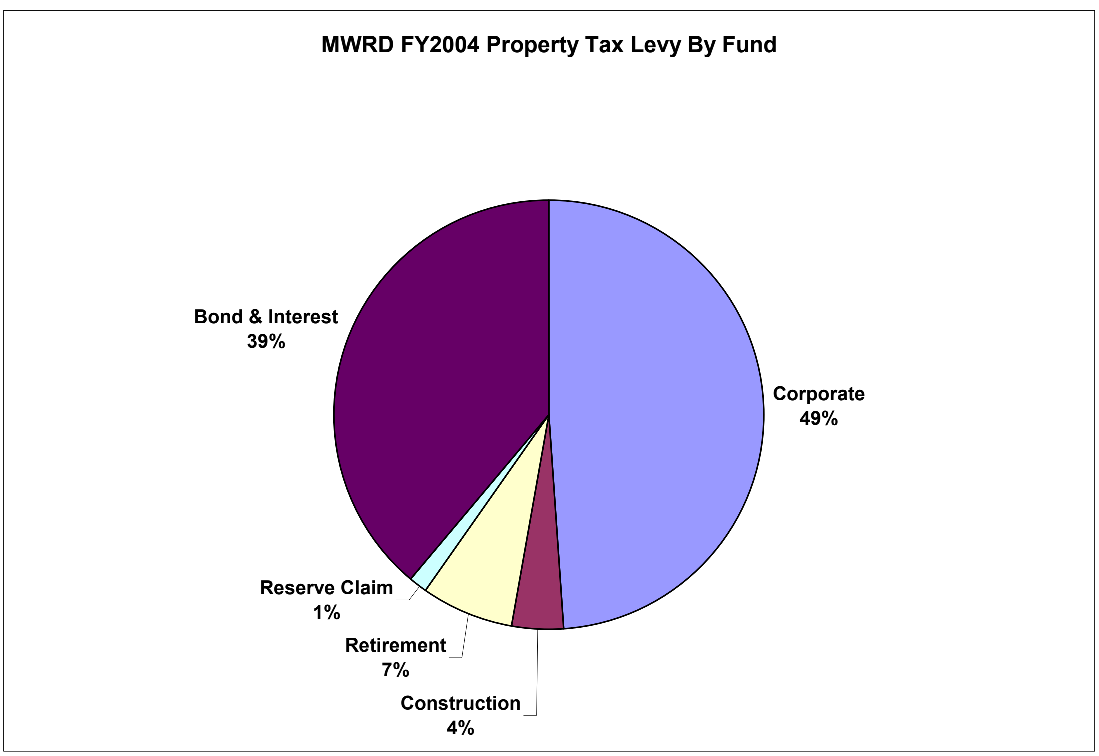
MWRD All Funds Major Revenues: FY03-FY04				
	FY2003 est.	**FY2004 bud.**	**% change**	**$ change**
Property Tax	$ 397,710,191	$ 406,253,617	2.1%	$ 8,543,426
User Charges	$ 47,300,000	$ 47,500,000	0.4%	$ 200,000
PPRT	$ 20,904,500	$ 20,900,000	0.0%	$ (4,500)
Investment Interest Income	$ 13,000,000	$ 11,000,000	-15.4%	$ (2,000,000)
Lease Revenue	$ 5,500,000	$ 5,750,000	4.5%	$ 250,000

Property Tax Levy: 2.1% Increase to $406.2 Million

The MWRD proposes to increase its property tax levy by 2.1% in FY2004, from $397.7 million to $406.2 million. The total levy has increased by 14.6%, or $51.9 million, since FY2000. The exhibit below shows the actual tax extensions for FY2000-FY2002, as well as the adjusted FY2003 and projected FY2004 levies.



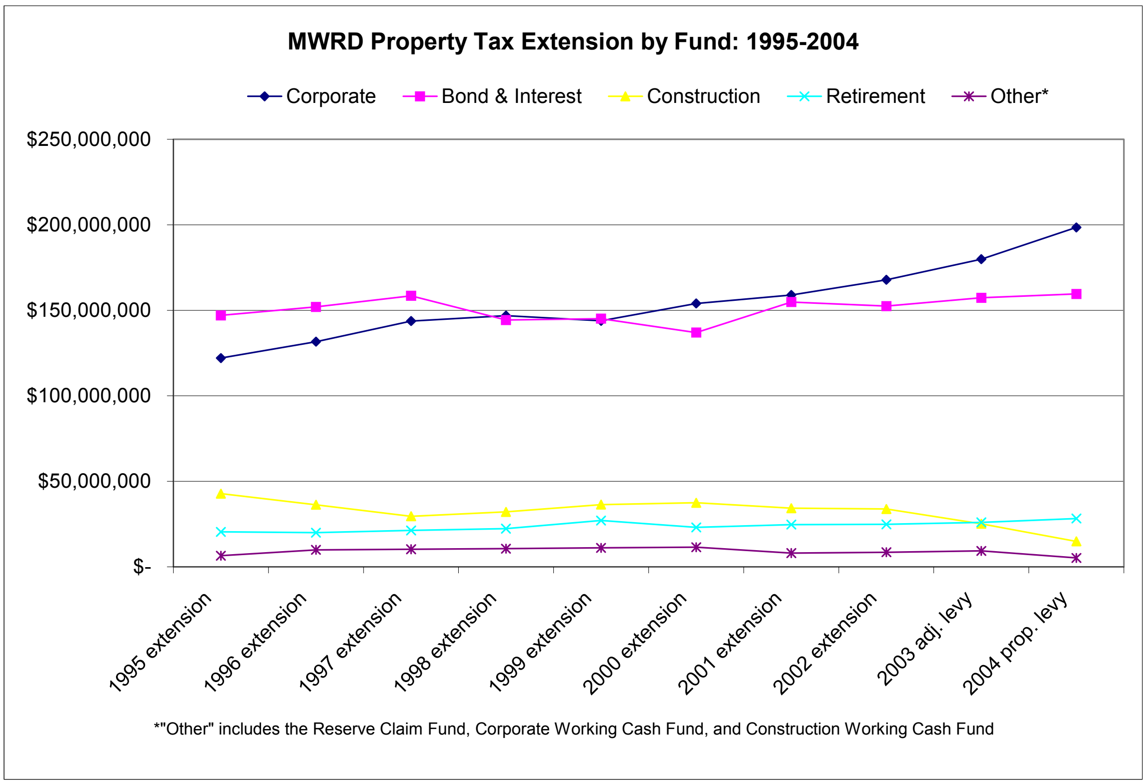
The exhibit below shows the FY2004 distribution of the MWRD property tax levy. The Corporate Fund will receive 49% of all property tax funds, the single largest distribution. This will represent $1987.4 million. The next largest recipient of property tax receipts will be the Bond and Interest Fund, with 39% of the total. Retirement, Construction, and the Reserve Claim Funds will receive 7%, 4%, and 1%, respectively.



The following exhibit shows the property tax levy by fund for FY2003 and FY2004. The Corporate Fund will increase by 10.3%, or $18.5 million. The next biggest increase is in the Retirement Fund, which will increase by 8.8% or $2.2 million. The Construction Fund will decrease by $10.3 million, reflecting a decrease in that fund's planned construction activities.

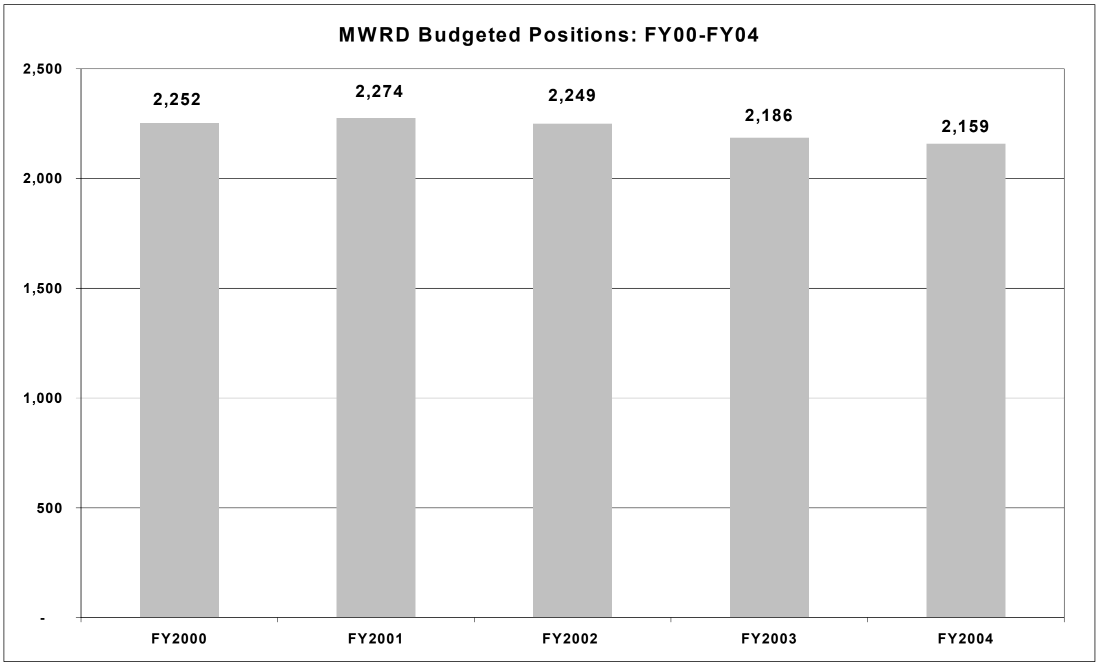
MWRD Property Tax Levy by Fund: FY2003 & FY2004				
	2003 adj.	2004 prop.	% change	$ change
Corporate	$ 179,957,617	$ 198,497,725	10.3%	$ 18,540,108
Construction	$ 25,170,224	$ 14,846,943	-41.0%	$ (10,323,281)
Retirement	$ 25,958,100	$ 28,247,000	8.8%	$ 2,288,900
Reserve Claim	$ 4,645,255	$ 5,141,868	10.7%	$ 496,613
Corporate Working Cash	$ 4,645,255	$ -	-100.0%	$ (4,645,255)
Bond & Interest	$ 157,333,740	$ 159,520,081	1.4%	$ 2,186,341
TOTAL	**$ 397,710,191**	**$ 406,253,617**	**2.1%**	**$ 8,543,426**

Over the last 10 years, the Corporate Fund levy has climbed steadily, averaging an annual increase of 5.4%. The Construction Fund levy has fluctuated, reflecting changes in construction activity and the reallocation of engineering staff to other funds. The Bond and Interest Fund, the only fund of the MWRD's six property tax levying funds not under the tax cap, has varied in relation to bond issuances and debt service obligations.



Personnel: 27 Positions Eliminated in FY2004 Budget

The MWRD proposes to reduce the number of positions budgeted in FY2004 by 1.2%, or 27 positions. It is MWRD policy to reduce staff only by attrition. Between FY2000 and FY2004, the number of positions will have been reduced by a total of 93. In recent years, the District has attempted to control expenditures by keeping some positions vacant. Consequently, 17 budgeted positions remained vacant in 2001 and 2002.



Pension Trends

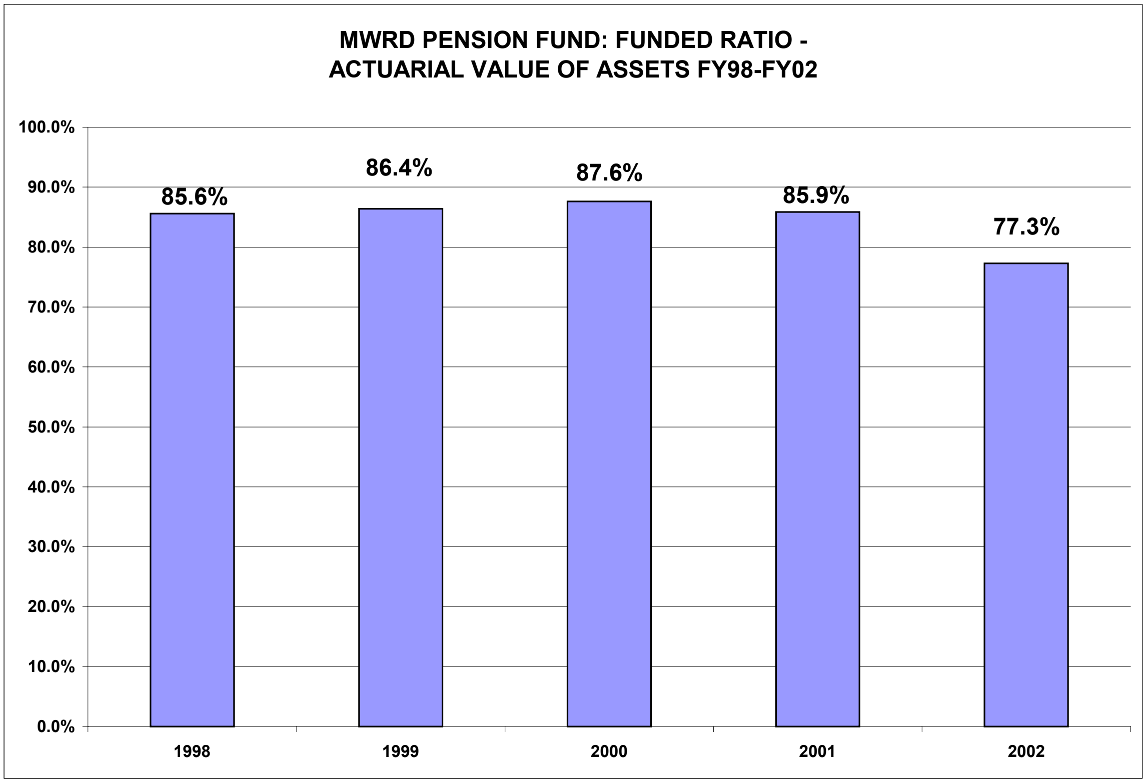
The Civic Federation used three measures to present a multi-year evaluation of the fiscal health of the MWRD's pension fund: funded ratios, the value of unfunded liabilities, and the investment rate of return.[5]

Funded Ratio – Actuarial Value of Assets: Down from 85.9% to 77.3% in FY2002

The following exhibit shows the funded ratio for the MWRD's pension fund. This ratio shows the percentage of pension liabilities covered by assets. The lower the percentage, the more difficulty a government may have in meeting future obligations.

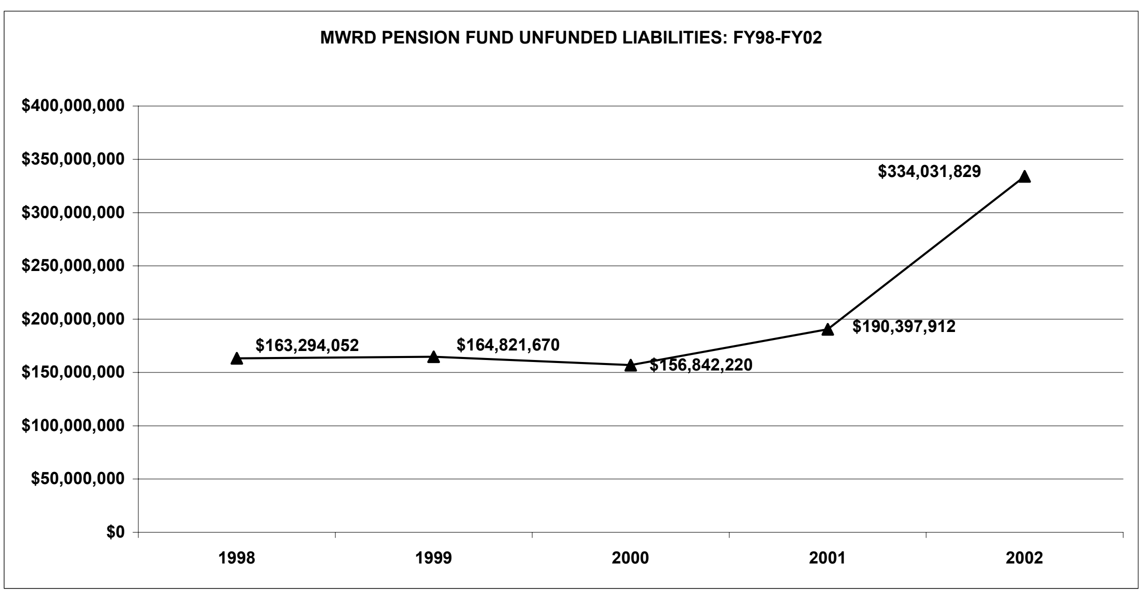
The funded ratio for the MWRD's pension fund averaged 84.5% from FY1998 to FY2002. The funded ratio declined 8.6% in FY2002, from 85.9% to 77.3%. This drop reflects a continuing decline in the return of the fund's investments. A continued decline in subsequent years would raise concerns about the pension funds' funding levels.

[5] The discussion of MWRD's pension fund trends is drawn from Scott Metcalf. *Status of Local Pension Funding* (Chicago: Civic Federation, 2002).



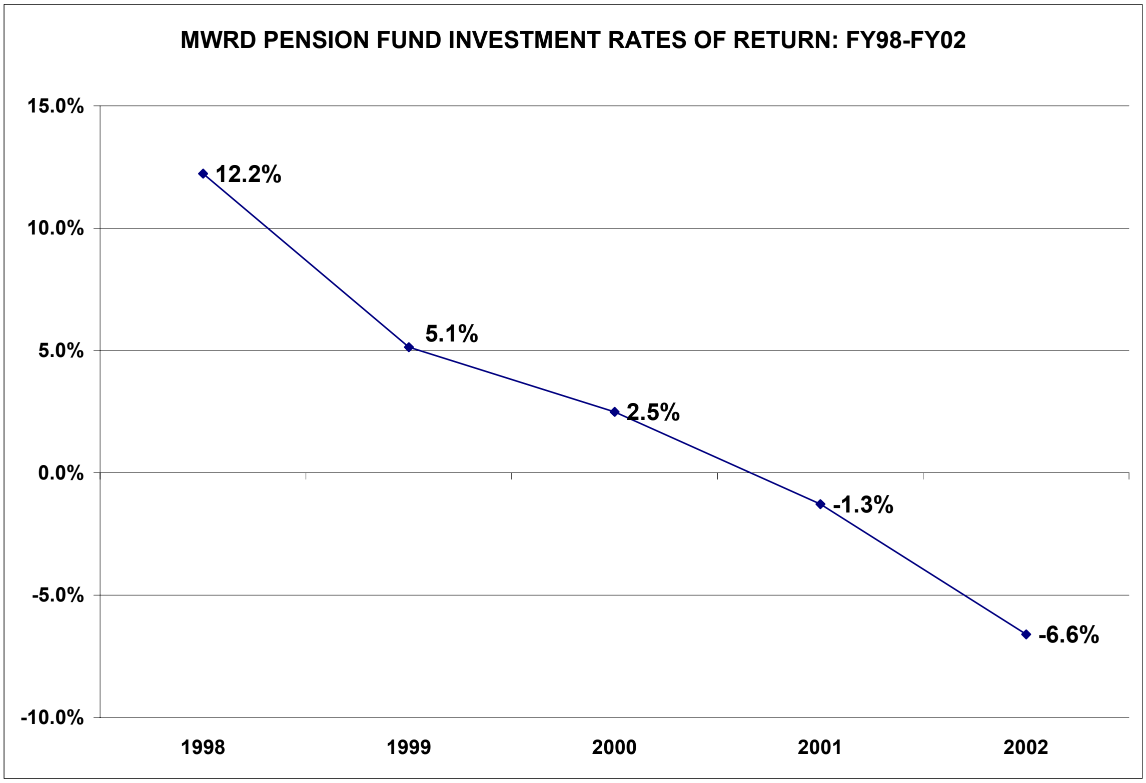
Unfunded Liabilities: Increase of 75%

Unfunded liabilities are the dollar value of pension liabilities not covered by assets. As the exhibit below shows, unfunded liabilities for the MWRD's pension fund totaled approximately \$334 million in FY2002. Between FY2001 and FY2002, unfunded liabilities increased sharply by 75%, or \$143.6 million. Much of the increase was due to losses in the pension fund's investments. Since FY1998, the pension fund has seen a 104% increase in unfunded liabilities.



Investment Rates of Return: Returns Negative in FY2001 and FY2002

Investment income typically provides a significant portion (over 50%) of the funding for pension funds. Thus, declines over a period of time can have a negative impact on pension assets. Since FY1998, MWRD investment rates of return have declined from 12.2% to –6.6%. Because the pension fund remains well funded, this is not yet a cause for concern.



Debt Trends

The Civic Federation has employed two measures of debt for purposes of this analysis: short-term debt trends and long-term debt per capita trends.

Short-Term Debt Trends: 4% Decline in FY2002 from FY2001

Short-term debt is a financial obligation that must be satisfied within one year. An increasing trend in short-term debt may be a warning sign of future financial difficulties. It is a measure of budgetary solvency, that is, a government's ability to generate enough revenue over the course of a normal budgetary period to meet its expenditures and prevent deficits.

Short-term debt for governmental activities includes obligations such as accounts payable, contracts payable, deposits, interest payable, interest, due to other funds, and liabilities from restricted assets. In sum, it includes all liabilities except accrued salaries and wages, accrued payroll, compensated absences and long-term debt that are reported in the General Corporate Fund and the Retirement Fund, a special revenue fund that accounts for property and PPRT taxes levied to support the District's pension funds.

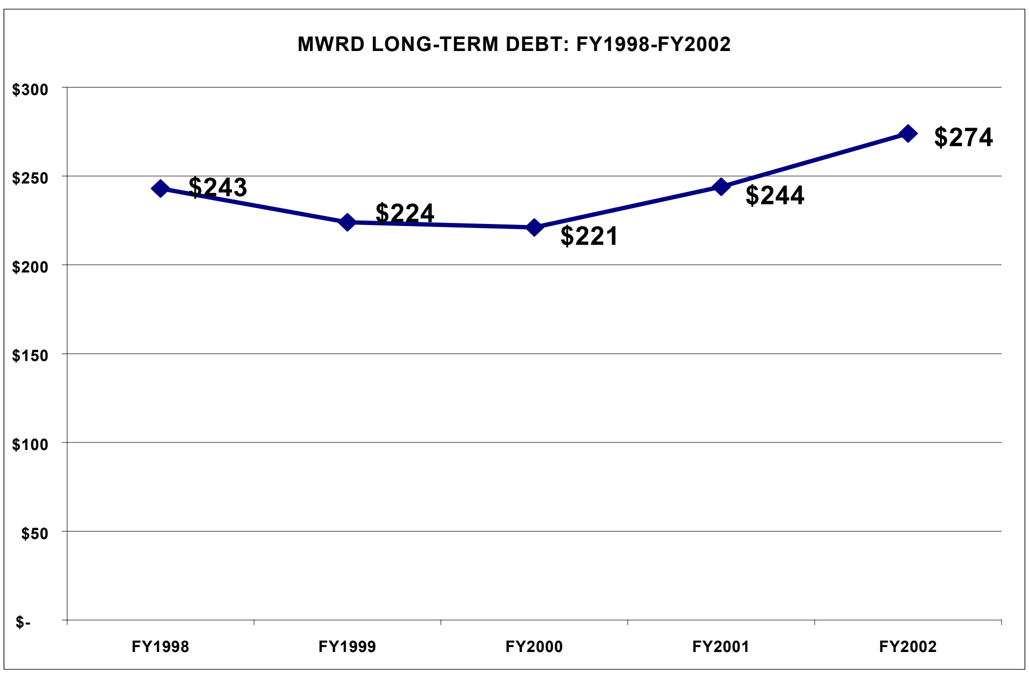
Between FY1998 and FY2002, MWRD short-term debt obligations increased by 6%, from $203 million to $215 million. Between FY2001 and FY2002, short-term debt decreased by 4%. This is the second year in a row that short-term debt has declined; since FY2000, it has fallen by $45 million or 17%. These decreases are positive indicators.

MWRD SHORT-TERM DEBT ($000s)	
FY1997	$ 203,417
FY1998	$ 214,994
FY1999	$ 227,750
FY2000	$ 260,578
FY2001	$ 225,297
FY2002	$ 215,436

Long-Term Debt Per Capita: 12.3% Increase Between FY2001 and FY2002

Long-term debt per capita is a measure of a government's ability to maintain its current financial policies. This long-term debt analysis takes the total liabilities in the General Long-Term Obligations Account Group and divides them by population. The MWRD's long-term debt includes general obligation bonds payable, capital leases payable, compensated absences, claims and judgments payable, and worker's compensation. Increases over time in this indicator bear watching as a potential sign of increasing financial risk.

The total amount of long-term debt in FY2002 was $1.4 billion. 91% of the long-term debt is bonds payable. The MWRD's long-term debt per capita decreased by 12.8% between FY1998 and FY2002, rising from $243 to $274. Much of the increase came between FY2001 and FY2002, when long-term debt per capita increased by 12.3% or $152 million. The increases in FY2002 come after several years of steady decreases in debt burden.



CIVIC FEDERATION RECOMMENDATIONS

The Civic Federation has several recommendations regarding ways to improve the MWRD's financial management.

Join with Other Chicago Area Governments to Pursue Joint Purchasing of Health Insurance

To contain skyrocketing health care costs, The Civic Federation urges the MWRD to pursue the joint purchasing of health care insurance with other governments in the Chicago area. A recent study conducted for The Civic Federation on the feasibility of consolidated health insurance purchasing found that forming a joint insurance pool consisting of the employees of the City of Chicago, Cook County (excluding the Forest Preserve District), Chicago Park District, Chicago Transit Authority, the City Colleges of Chicago, the Chicago Public Schools and the Chicago Housing Authority could yield projected savings of $40.1 million in the first year or $222 million over a 5-year period.[6] The MWRD could achieve similar benefits and savings by participating in this project.

Improve Budget Format

Although the MWRD's annual budget contains a wealth of data and substantial narrative description, it lacks easily identifiable basic summary tables. Summary tables of key information such as revenue sources and amounts over time, fund balance reappopriations over time, appropriations by department over time, personnel by department over time, and personnel by administrative vs. non-administrative classification, should be provided at the front of the document in order to make it more user-friendly for citizens. As an example, the "Citizens' Summary" section of Cook County's annual budget provides a collection of such tables in a consistent format.

Minimize the Property Tax Levy

The Civic Federation encourages the MWRD to continue in the direction taken this year by holding the line on property taxes in years to come instead of levying to the limit. Continuing to draw down the substantial fund balance is one way to achieve this goal. The proposed FY2004 Corporate Fund balance of $41.4 million represents 13.7% of the FY2004 appropriations. We recommend that the District further reduce its Corporate Fund balance to 7-10% of appropriations, still well within the Government Finance Officer's Association guidelines. In addition, commitment to the personnel reduction program in future years is essential to controlling costs and minimizing the annual property tax levy.

[6] The Civic Federation. *Feasibility Study of Consolidated Purchasing: Chicago Public Employers*. A Study Conducted by the Segal Company. February 23, 2001.