



The Civic Federation

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MWRD BUDGET REDUCES SPENDING, STARTS TO ADDRESS PENSION LIABILITIES

CHICAGO – The Civic Federation supports the \$1.7 billion FY2010 Metropolitan Water Reclamation District of Greater Chicago (MWRD) tentative budget as a prudent response to revenue shortfalls. The MWRD plans to prioritize spending, control personnel costs, and implement a modest increase to its property tax levy to balance its budget. The full Federation analysis will be available today at www.civicfed.org.

The Civic Federation commends the MWRD for its proposal to take steps toward implementing pension reform in FY2010. The initiative will include a task force to address pension concerns. “The MWRD has been a leader in employing good government practices such as long-term planning,” said Genevieve Nolan, Senior Research Associate at the Civic Federation. “The District will again lead the way if they commit to the reforms necessary to address an unfunded pension liability that has grown by over 50% in five years.”

The MWRD Retirement Fund's unfunded liabilities total \$640.4 million as of FY2008 and its funded ratio has fallen to 65.4%. The Federation recommends that the District carry out comprehensive pension reform by first and foremost establishing a two-tiered pension system wherein new employees receive reduced benefits. It is also important for the District to work with the Illinois General Assembly to reform the state statute that governs MWRD employer contributions to the pension fund. The MWRD's current funding requirements are not tied to the funding needs of the retirement system, so the District is not able to provide sufficient funds to keep the pension fund financially healthy. The Civic Federation recommends that, at a minimum, the MWRD's contributions be tied to funded ratios so additional contributions are required whenever that ratio falls below a certain level.

The MWRD faced a shortfall of \$24 million in FY2009 revenues as District staff prepared the FY2010 budget. In response, the District prioritized its functions to focus available resources on essential services. The District will reduce staffing by 18 full-time equivalent positions and personnel expenditures by 2.7% for FY2010 in keeping with the prioritization program. In total, the FY2010 budget reduces Corporate Fund expenditures by 9.5% or \$37.5 million from final FY2009 appropriations. The Civic Federation believes the District's decision to raise its gross property tax levy by 2.1% or \$9.6 million is reasonable given the MWRD's strong commitment to cutting expenditures in this budget.

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions. For more information, please visit the Federation's website at www.civicfed.org.

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