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IMMEDIATE RELEASE – December 8, 2010

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CIVIC FEDERATION SUPPORTS FY2011 MWRD BUDGET *Urges Reform of Deteriorating Pension Fund*

CHICAGO — The Civic Federation supports the nearly \$1 billion tentative budget proposed by the Metropolitan Water Reclamation District of Greater Chicago (MWRD). The District will reduce staffing levels and Corporate Fund spending as a response to difficult economic conditions. However in a 39-page report released today, the Federation voices concern about the continued decline of the fiscal health of the MWRD pension fund.

The total MWRD budget fluctuates from year to year due to changes in capital project needs, and FY2011 is no exception. The FY2011 tentative budget of \$974.3 million is a 41.1% reduction from last year's total adjusted budget. However, the District's Corporate Fund appropriations, which are used for operational and general expenditures, will also decrease by 4.0%.

The MWRD proposes to reduce staff by 0.9%, declining from 2,116 full time equivalent (FTE) positions in FY2010 to 2,097 in FY2011. The District has focused on controlling personnel costs since 1995 and has reduced staffing levels by 6.0% since FY2002. The Civic Federation commends the District for recognizing that personnel staffing levels and associated costs must be monitored and controlled over the long term.

The District is also making an effort to increase its fund balance reserved for contingency spending. MWRD will set aside \$22.8 million or 6.7% of the total Corporate Fund appropriation. While a step in the right direction, the amount does not satisfy the Government Finance Officers Association recommendation of 16.7% or the MWRD's own goal of \$45 million to \$55 million. The Federation encourages the District to continue to build reserves to achieve compliance with their policy and recognized best practices.

MWRD is planning to increase its property tax levy to the maximum amount allowed under the tax cap law for tax-capped funds. The total gross property tax levy will increase by \$12.9 million. While not desirable, the increase is combined with prudent reductions in expenditures. "The Civic Federation encourages the District to look for further cost cuts and alternative revenue sources it can use to reduce its property tax burden," said Laurence Msall, president of the Civic Federation.

The District's pension fund continues to show worrying signs of declining fiscal health. Between FY2000 and FY2009, unfunded liabilities rose 385.4% or \$604.5 million and the funded ratio declined from 87.6% to 60.7%. Shortfalls in contributions from the MWRD have contributed significantly to the decline of the funds. "MWRD must end its resistance to recent pension reforms enacted by the State of Illinois and instead work with the General Assembly to implement further pension reforms that will stabilize the Metropolitan Water Reclamation District Pension Fund," said Msall. Such reforms must include changes to employer and employee contributions to the fund.

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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