



## 2018 Budget Considerations

### Metropolitan Water Reclamation District of Greater Chicago

#### Committee on Budget and Employment

*Honorable Kari K. Steele, Chairperson*

#### **Budget Considerations: Session 1 – Financial Overview**

May 18, 2017

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## 2018 Budget Considerations

### Budget Considerations

- Three Budget Sessions
  - Session 1: Financial Overview
  - Session 2: CIP Fund and Stormwater
  - Session 3: Resource Recovery and Strategic Plan Goals

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## 2018 Budget Considerations

### Financial Overview

#### Accounts with Tax Authority

- Aggregate
    - Corporate (OPEB)
    - Construction
    - Retirement (Pension)
    - Reserve Claim
  - Bond Redemption and Interest
  - Stormwater
- \*\*Policy cap of 5% overall increase**

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## 2018 Budget Considerations

### Aggregate Tax Levy

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## 2018 Budget Considerations

### The Aggregate Fund

#### Aggregate Tax Authority

- Corporate (OPEB)      2017: 16.2 ¢ / 41 ¢
- Construction            2017: 1.23 ¢ / 10 ¢
- Reserve Claim          2017: 0.43 ¢ / 0.5 ¢
- Retirement (x 4.19)    2017: 5.31 ¢

Total: 23.17 ¢

Operating Levy = Corporate + Construction + Reserve Claim

**\*\* Tax Cap is CPI or 5% whichever is lower**

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## 2018 Budget Considerations

### The Aggregate Fund

#### Aggregate Tax Authority

- Impact of Retirement Fund and Cap
    - 2015: 23.53 ¢ - 4.45 ¢ = 19.08 ¢
    - 2016: 23.13 ¢ - 4.86 ¢ = 18.27 ¢
    - 2017: 23.17 ¢ - 5.31 ¢ = 17.86 ¢ (est. 2.5% CPI)
  - Equation is the total tax levy minus pension levy portion
  - Corporate + Construction + Reserve Claim
- \*\* Operating Levy is Decreasing**

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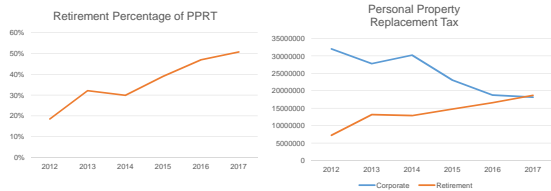


## 2018 Budget Considerations

### The Aggregate Fund

#### Other Aggregate Tax Revenue Source:

- Personal Property Replacement Tax (PPRT)



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## 2018 Budget Considerations

### The Aggregate Fund

How can we keep operating if our tax revenue is declining?

#### Non-tax Aggregate Revenue Sources:

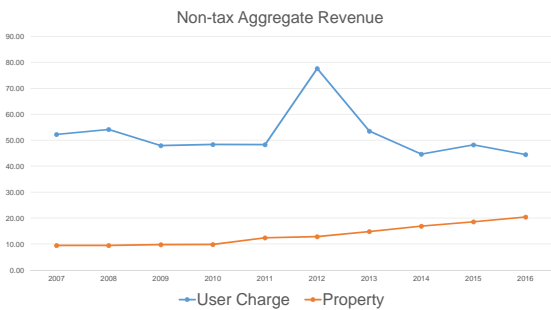
- User Charges – Commercial and Not for Profit
- Property and Services
- Investment Income
- TIF Differential Fee and Impact Fee
- Miscellaneous

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## 2018 Budget Considerations

### The Aggregate Fund

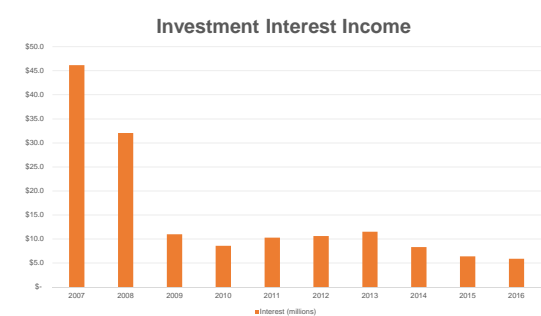


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## 2018 Budget Considerations

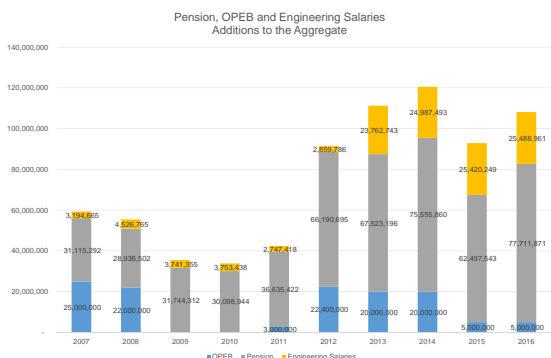
### The Aggregate Fund



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## 2018 Budget Considerations



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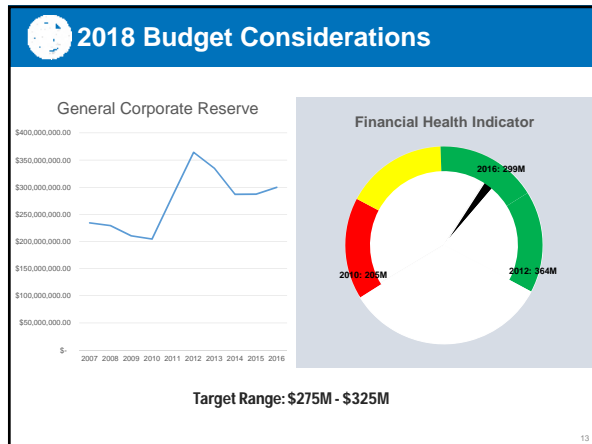


## 2018 Budget Considerations

### General Corporate Reserve Fund Balance



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### 2018 Budget Considerations

#### The Aggregate Fund

How do we continue operating if funds are decreasing?

- Additional Operational Considerations
  - Disinfection plant operations
  - Thornton and McCook Reservoirs
  - Regulatory Issues
    - Nutrient Removal
    - Odor Controls
  - Pension Plan B – (Laurence Msall)
- Strategic Plan Goals – Three main categories
  - Planned Efficiencies
  - New Revenue Opportunities
  - Partnerships

### 2018 Budget Considerations

#### The Aggregate Fund

Strategic Plan Objectives:

- Planned Efficiencies
  - Goal 1: Add Value
    - Service Levels
      - Establish contract turn-around timeframe
      - Develop planning schedules
      - Streamline budget process
  - Goal 2: Excellence
    - Finances
      - Provide base budget targets
      - Assure approvals are tied to strategic plan
      - Manage resources to ensure financial stability
    - Process Evaluation
      - Optimize energy intensive processes
      - Optimize chemical intensive processes
      - Optimize work distribution processes and work flow
  - Goal 6: Technology (All technology goals deal with efficiency)

### 2018 Budget Considerations

#### The Aggregate Fund

Strategic Plan Objectives:

- New Revenue Opportunities
  - Goal 3: Resource Recovery
    - Water
    - Phosphorus/Nutrients
    - Energy
    - Biosolids
- Partnerships
  - Goal 1: Add Value
    - Customer Service
      - Structure a multi-dimensional, culture changing strategy around GI
    - Real Estate
      - Work with community to revitalize the urban forest
      - Utilize Fulton County property for nutrient control

### 2018 Budget Considerations

#### The Aggregate Fund

Strategic Plan Objectives:

- Partnerships (Cont.)
  - Goal 2: Excellence
    - Sense of Urgency
      - Deliver and implement flood relief plan for Cook County
  - Goal 5: Leading Partnerships
    - Relationships
      - Align professional memberships and participation
      - Participate in active leadership roles in a variety of organizations
      - Utilize our enhanced awareness from strategic relationships to make informed decisions
    - Leadership
      - Provide active leadership
        - City
        - County
        - State
        - Nation

### 2018 Budget Considerations

#### The Aggregate Fund

Summary

- Declining revenue to operate the District
- Good news is our cost backing out the additional salaries from engineering is about the same as 2007
- Strategic plan attempts to address this issue – Session 3
- Retirement will continue needing priority funding
  - Will level out in FY18 – all employees have reached the 12%
- Revenue is needed in the aggregate!



## 2018 Budget Considerations

### Bond Redemption and Interest

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## 2018 Budget Considerations

### Bond Redemption and Interest

#### Bond Redemption and Interest Tax Authority

- General Rules
- Unlimited Bonds
- Limited and Stormwater Bonds
- Financial Model for Sustainable Capital Plan
- Financial Model for Sustainable Stormwater Plan

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## 2018 Budget Considerations

### Bond Redemption and Interest

#### General Rules:

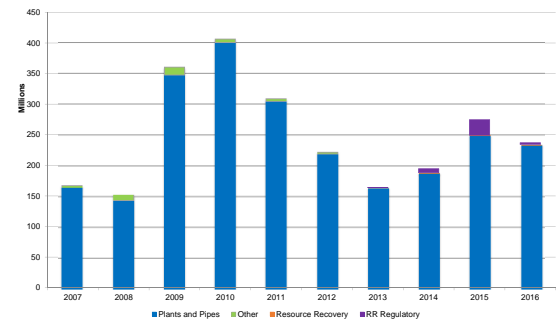
- Total debt limit is 5.75% of EAV: \$7.5 billion
  - Currently at \$2.8 billion
- CIP bond limit is 3.35% of EAV: \$4.4 billion
  - Currently at \$2.0 billion
- CIP annual bond limit \$150 million with carryover
  - 3 year carryover limit \$450 million
  - Non-referendum authority through 2024
  - Aug 2009 – \$600 million BAB were exempted
- Non-referendum tax cap \$163 million
  - Increases annually by the lesser of CPI or 5%

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## 2018 Budget Considerations

### Capital Project Costs 2007-2016



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## 2018 Budget Considerations

### Bond Redemption and Interest

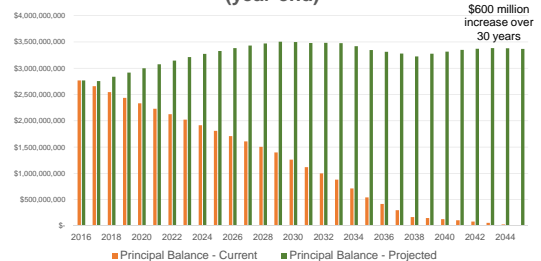
#### Financial Model for Sustainable CIP

- Ensure non-referendum tax cap buffer of 10%
  - 2010 debt schedule hit ceiling in 2016
- Establish annual capacity of program
- Establish optimum times to go to market
- Control overall annual tax increase
- Stay away from 5% maximum

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## District Debt Outstanding

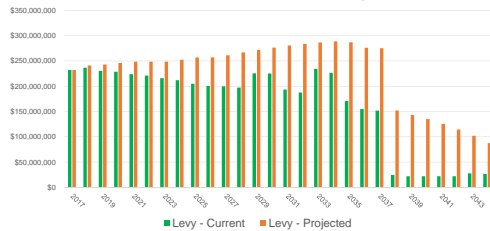
### General Obligation Bonds Outstanding (year-end)



## Projected B&I Levy Levels

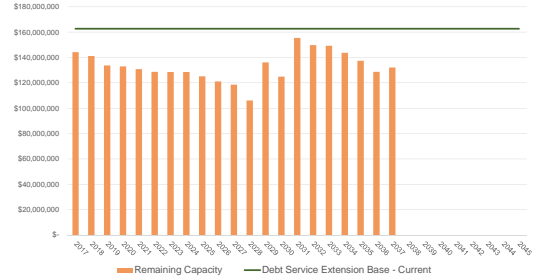
- The 2017 levy increase is 2.8%.
- 2.0% growth expected over the next 10 years.

B&I Levies - Current and Projected



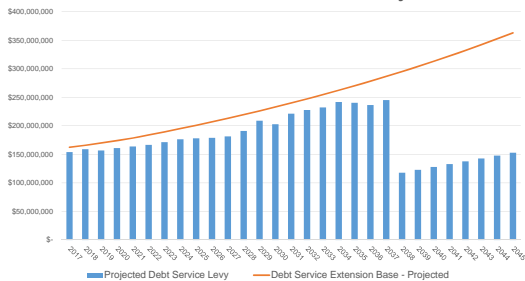
## Debt Service Extension Base

Debt Service Extension Base - Current



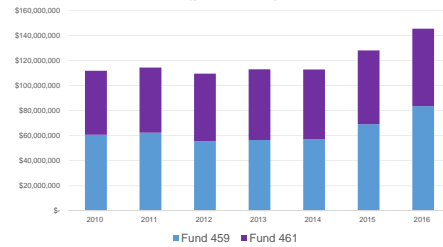
## Debt Service Extension Base

Debt Service Extension Base - Projected



## Capital Cash Reserves

Capital Cash Reserves (year-end)



## 2018 Budget Considerations

### Bond Redemption and Interest

#### Strategic Plan Objectives:

#### Regulatory Issues

- Goal 1: Add Value
  - Customer Service
    - Develop and implement targeted odor control strategies
- Goal 3: Resource Recovery
  - Phosphorus
    - Implement recovery process at the Stickney WRP by 2016
    - Implement recovery process at the Calumet and Egan WRPs by 2022
    - Explore algae nutrient reduction processes at O'Brien WRP

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## 2018 Budget Considerations

### Bond Redemption and Interest

#### Strategic Plan Objectives:

#### Sustainable Program

- Goal 2: Excellence
  - Finances
    - Continue the prioritization of projects to ensure best use of capital spending
    - Manage resources to ensure financial stability targets are met
- Sense of Urgency
  - Establish excellence in maintenance and operations
  - Expedite capital improvement program projects in design, bid, contract award and construction schedule

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## 2018 Budget Considerations

### Bond Redemption and Interest Summary

- Dedicated Funding Source
- Solid Financial Model
- Sustainable Investment Over Time
- Program Elements Include
  - Regulatory Demands
  - Value Added Projects
  - Maintenance and Renewal Projects
- Prioritized Investment

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## 2018 Budget Considerations

### Stormwater Levy

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## 2018 Budget Considerations

### Stormwater

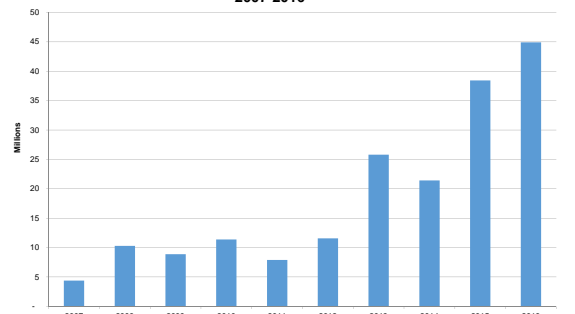
- District received 5 ¢ authority in 2004
- 2004 – 2010
  - Watershed Management Ordinance
  - Detailed Watershed Plans
  - Small streams program
- Projects were funded with pay-go funding
  - Delayed project implementation
  - Forced large carryover balance
  - Erratic tax levy
- 2013 legislation changes
  - Bonding stormwater projects
  - Voluntary buyout program
  - Phase II – local stormwater projects

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## 2018 Budget Considerations

Stormwater Project Expenditures  
2007-2016



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## 2018 Budget Considerations

### Stormwater

#### Growing program demands financial model

- Establish long term financing of stormwater
- Define a sustainable pay-go program
- Define a sustainable bond program
- Create finance tracking capability
- Ensure capped operation allocation
- Enable maximum project allocation

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## 2018 Budget Considerations

### Stormwater

- The proposed levy rate will allow capital funding of \$2.2 billion over 30 years.
- The 2017 Stormwater Fund levy of \$40.9 million increases to \$75.5 million in 2021.
- Borrowing to fund the Stormwater capital program: average of \$50 million per year.
- Levy growth is assumed at 3% per year.
- Increases fall within all statutory and Board policy limits.

| (millions of dollars)        | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Stormwater Levy              | 34.3        | 40.9        | 48.4        | 57.0        | 64.7        | 75.5        | 77.8        |
| PAYGO Capital                | 17.8        | 21.0        | 25.2        | 31.7        | 33.9        | 39.2        | 47.3        |
| Borrowing                    | 50.0        | 50.0        | 50.0        | 50.0        | 50.0        | 50.0        | 50.0        |
| <b>Annual Project Budget</b> | <b>67.8</b> | <b>71.0</b> | <b>75.2</b> | <b>81.7</b> | <b>83.9</b> | <b>89.2</b> | <b>97.3</b> |

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## 2018 Budget Considerations

### Stormwater

#### Current Program Identification

- Cook County Masterplan will add to this total

| Identified Projects              | Total: \$1.2 Billion |
|----------------------------------|----------------------|
| Phase I                          | \$400 Million        |
| Phase II                         | \$450 Million        |
| Green Infrastructure             | \$275 Million        |
| Flood Prone Property Acquisition | \$75 Million         |

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## 2018 Budget Considerations

### Stormwater and CIP Strategic Plan Ties

#### Strategic Plan Objectives

##### Goal 1: Add Value

- Customer Service
  - Develop and implement effective flood mitigation programs for our customers
  - Structure a multi-dimensional, culture changing strategy around GI

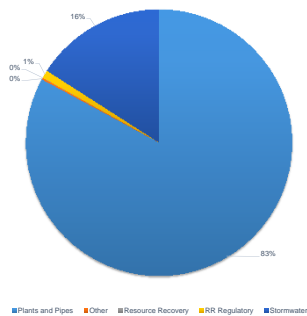
##### Goal 2: Excellence

- Sense of Urgency
  - Deliver and implement flood relief plan for Cook County

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## 2018 Budget Considerations

2016 Project Expenditures



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## 2018 Budget Considerations

### Summary of Finances

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## 2018 Budget Considerations

### Financial Summary

- Aggregate – overall challenge to maintain financial health
  - Corporate (OPEB) - growing cost/declining revenue
  - Construction – pay-go at risk
  - Retirement (Pension) – significant load
  - Reserve Claim – stabilized with insurance
- Bond Redemption and Interest
  - Solid sustainable financial plan
- Stormwater
  - Solid sustainable financial plan

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## 2018 Budget Considerations

### Questions or Comments?

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