



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 17-0128, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF FEBRUARY 2, 2017

COMMITTEE ON STATE LEGISLATION AND RULES

The Honorable President Mariyana Spyropoulos and Members of the Board of Commissioners

Recommendations for the State of Illinois 2017 Legislative Program

I respectfully submit the following legislative initiatives and recommendation to the Board of Commissioners for their consideration and guidance.

Legislative Initiative No. 1

Authorize a structure to realize value from District-owned real estate that is not immediately required for a corporate purpose in order to fully fund the District's Other Post-Employment Benefit Trust (OPEB), thereby reducing District costs.

Historically, the District has leased some properties in its real estate portfolio that are not immediately required for a corporate purpose to third-party commercial tenants, generating revenue for the District to defray costs that might otherwise have to be funded by taxpayers. Under the District's plan, the District would identify parcels of its real estate that are not currently needed for a corporate purpose, and which also generate revenue (through current or future leases to third-party commercial tenants). As part of the identification process, the District would generally obtain appraisals on the potential investment properties to establish their fair market value. The District would then transfer these properties into a newly-formed investment vehicle that is structured to meet applicable tax, accounting and other requirements. Units in the new investment vehicle would be purchased by OPEB, with the units paying OPEB a guaranteed rate of return of 7.5%, generated by the rental stream from the properties transferred to the investment vehicle. It is expected that units in the new investment vehicle would represent approximately 50% of OPEB's assets, once OPEB was fully funded.

The money from the purchase of units by OPEB would be contributed back to OPEB by the District. The goal is to fully fund OPEB, thus eliminating the District's current \$5 million annual contribution, which might otherwise have to be funded by taxpayers. Further savings would be realized through OPEB funding a portion of the District's retiree medical expenditures once it is fully funded, rather than those costs being paid out-of-pocket by the District as is currently the case.

The District will seek legislative approval to amend the MWRD Act to form the investment vehicle, transfer the identified properties into it, sell units in the investment vehicle to OPEB and do all other acts necessary to effect these transactions.

Legislative Initiative No. 2

Authorization to amend the Resource Recovery Section of the District's Act to provide the District with the authority to invest in agricultural land outside of its service area for purposes of meeting more stringent

nutrient criteria limits at its water reclamation plants.

The District anticipates that forthcoming regulation regarding nutrients and algae will result in more stringent permit limits throughout the state. In order to further reduce nutrient discharges in compliance with tightening permit limits, the District will need to make significant capital improvements at its water reclamation plants in the coming years. One way the District can reduce the extent of costly capital improvements is by seeking credit for investments that reduce nutrient discharges from other sources across the state.

The agricultural industry is a significant contributor of nutrients to Illinois waterways, but it often lacks the resources necessary to address the issue. It is typically less expensive to incorporate nutrient recovery technologies on agricultural land than it is to make capital improvements at the District's water reclamation plants. Accordingly, the district seeks to partner with farmers to install technologies on agricultural land that would reduce the nutrient load to Illinois waterways.

To that end, the District proposes seeking legislative authority to amend the Resource Recovery section of the MWRD Act to authorize the District to invest in nutrient recovery technologies on downstate agricultural lands. As part of this authority, the District will also seek authority to receive a portion of any revenue from the sale of byproducts generated from its investment, thereby providing the District with a revenue source.

Based on the above, the District anticipates cost savings to its taxpayers while also improving water quality throughout the State of Illinois.

It should be noted that both of the above-referenced legislative initiatives are still being developed such that it may become necessary to delay seeking legislative approval for one or both of them until the 2017 Fall Veto Session or the 2018 Spring Session of the Illinois General Assembly.

Recommended, David St. Pierre, Executive Director, DSP:RMH:bh
Respectfully Submitted, Martin J. Durkan, Chairman Committee State Legislation and Rules
Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for February 2, 2017