



Fiscal Year 2023 Budget
January 1, 2023 – December 31, 2023

WATER COMMISSIONERS

John Pietron, Chairman of the Commission
Mark Fowler, Commissioner and Clerk of the Commission
Joseph S. La Margo, Commissioner of the Commission

William Balling, Superintendent

2023 Morton Grove-Niles Water Commission Budget

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December 15, 2022

Chairman John Pietron and Commissioners
Morton Grove-Niles Water Commission
1000 Civic Center Drive
Niles, Illinois 60714

SUBJECT: Annual Budget Message and FY 2023 Budget

Honorable Chairman and Commissioners,

I am pleased to present to you the proposed annual budget for Fiscal Year 2023, which begins on January 1, 2023. The FY 2023 budget is structured as a Utility Enterprise fund with two components, the Operating function with budgeted expenses of \$9,085,923 and the Capital Construction function budgeted expenses of \$ 2,289,464.

Each function has its own dedicated source of funding. The capital construction activity in FY2023 is funded by remaining unused portions of the original capital fund reimbursed to the Commission by IEPA subsidized loan program and the remaining unused portion GO funds not needed to reimburse our Members from original advances they provided to the Commission. In addition, the Members will be assessed this year for a proportionate share to cover any remaining funding shortfall from this year's capital fund including new projects for FY2023. In future years the annual capital project fund will come from the annual assessment paid by our Members each year unless grants or loans become available. Water Commission Operations are funded by the Members sharing the operating budget referred to in two Agreements. The first is the Intergovernmental Agreement passed in March 2017 by the Village Boards in Niles and Morton Grove, and the Water Supply Agreement between the Water Commission and its Members which was passed by the parties in January 2018. In FY 2023 the Annual Charge will be apportioned to Members based on a projection of water demand. For 2023 the split between the Village of Morton Grove, \$3,946,800 of total water delivered by the Commission and the Village of Niles, \$5,419,123 is based on the actual water purchased in the last twelve consecutive months ending October 31, 2022. To ensure fairness in Member payments the Water Commission, for each fiscal year following, will use a true-up computation based on audited actual water purchased and actual costs, with some surcharge/credit adjustments between the Members. This user demand-based system of allocating costs to each Member is fundamental to the principles of fairness and equity both Members seek.

In addition, the development of the FY2023 budget, the Commission, uses the "MGNWC Water Rate Calculation Schedule 2019-2029" as defined in Exhibit 2 of the MGNWC Water Rate Study prepared by the Commission's engineer, Stanley Consultants. The FY2023 Budget is consistent with this water rate study projection.

Pursuant to our Water Supply Agreement, the Annual Charge to members is based on the approved operating budget. In 2023 this budget as presented totals \$9,365,923. The Members are obligated to pay their estimated share of use in four equal payments which provides the resources to operate

the MGNWC system and pay its debt. For this budget the base quarterly payments for each Member will be:

	Morton Grove	Niles
January 1, 2023	\$ 986,700	\$ 1,354,780
April 1, 2023	\$ 986,700	\$ 1,354,780
July 1, 2023	\$ 986,700	\$ 1,354,780
October 1, 2023	\$ 986,700	\$ 1,354,780

Once the True-Up computation is completed in mid-2022 for prior years service, the Members will receive either a credit for overpayment or an additional invoice for overuse based on actual costs and consumption. While the costs of the system are guaranteed by the MGNWC “take or pay” contract with its Members, if all projections in the FY2023 budget are realized, our operational costs would produce a wholesale rate of \$ 4.09 per 1,000 gallons delivered.

Operating Goals for the Morton Grove-Niles Water Commission

MGNWC was established with three overarching goals and multiple objectives in mind and the FY2023 budget is responsive to these goals:

- **Meet 100% of the Water Demand for Our Two Members** through the purchase and delivery on a wholesale basis of high-quality treated Lake Michigan water produced by our contracted water supplier, the City of Evanston using a formula based billing system which is a part of our supply Agreement. While we continue to deliver the full water demands of our Members, the Commission is taking further action to secure redundant water supply for emergency situations. The most notable redundant supply option is the Village of Morton Grove initiative to secure an emergency water supply Agreement with the Northwest Water Commission. The Commission on its own is also evaluating a larger supply of Lake Michigan water for emergency use from Aqua Illinois supplied by the Village of Glenview and the Village of Wilmette. The final direction on the most favorable emergency water supplier should be made not later than the second quarter of 2023.
- **MGNWC Will Produce Annual Rate Savings in FY2023 year as We Have in the Past Compared to the Price of the City of Chicago 2022 Water Rate.** The 2022 water rate for Chicago, using their published formula is projected to be \$4.42 per 1,000 gallons and based on effective June 1, 2023 This compares to an estimated MGNWC rate equivalent noted above of \$ 4.09 per 1,000 gallons through December 31, 2023.
- **Maintain a Low-Cost Operating Structure for the MGNWC**, over time and assure close linkages between MGNWC and its Members continue. The staffing structure of the MGNWC is unique and appropriate benefitting our Members by avoiding any paid staff, and procures our staffing needs through both contracted and contributed services. The Village of Niles Water Division serves as the MGNWC operating company providing the Commission with a deep and highly competent operating staff to meet the high-level requirements of a wholesale water supplier. The Village of Morton Grove provides the Commission with accounting and financial services and are also highly efficient in doing

so. The Commission also calls upon the operational competencies of our Finance Directors, Village Managers, Attorneys, and support staff resources regularly in an advisory capacity to support Commission technical issues as they arise. The Commission’s Engineer is Stanley Consultants who have previously served as lead engineer for the construction of the Commission’s delivery system and possesses outstanding historical knowledge of the Commission’s system.

FY 2022 Budget Highlights

The FY2023 budget presents a level of line-item detail which will allow the Commissioners easy tracking of expenditures throughout the year. The Water Commission allocates 67% of expenditures to debt service and 23% of annual expenses to purchase wholesale water from Evanston then resell that water to its Members. Such an expense profile demands that the Commission structure its operational services with low overhead and contracted services at 9% of budget accomplishes that objective. There are two projects to be completed in this year’s capital budget in the Capital Construction budget worth noting. The first is the completion of the pipe relining project, Contract #4. The project will be completed with available IEPA revolving loan funds paid to the Commission on a work completed basis. The second is the additional work at the main pump station constructing a subsurface barrier to eliminate all seepage from the basement of the pump station. While this seepage does not pose an immediate operational challenge to the performance of the pump station, long term structural performance is greatly reduced with a dry basement free from annoying seepage. This will be funded through available funds of the Commission’s remaining bond proceeds. Included this year in the capital budget is an additional partial repayment of advances from Members which launched the project. This will result in an additional up to \$500,000 repayment to each Member which is expected to fully reimburse each Member for the advances to the Commission to launch this water supply project.

As the Commissioners are aware one of the significant advantages to operations is the formula-based Water Supply Agreement with the City of Evanston which has produced stability and predictability with the Commission’s water purchases. The Commission pays Evanston on a quantity charge for water delivered and monthly for depreciation and monthly for the fair value rate return for City owned assets which is a benefit for the Commission. The equivalent rate paid to Evanston for treated water is \$0.95/1,000 gal. Below is a three-year summary of that rate stability along with our projection for 2023:

Year	Quantity Charge	Depreciation Charge	Fair Value Return on Rate Base
2020	\$0.36398/1000 gal	\$10,300/mo.	\$ 76,790/mo.
2021	\$0.35322/1000 gal	\$ 9,973/mo.	\$ 72,350/mo.
2022	\$0.35540/1000 gal	\$11,945/mo.	\$ 93,933/mo.
2023	\$0.36340/1000 gal	\$14,135/mo. (\$0.09)	\$98,0075/mo. (\$0.50)

Budget Calendar

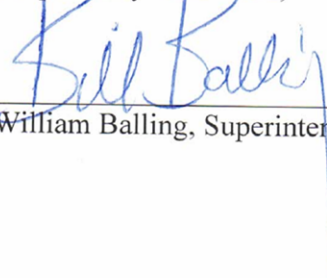
Fiscal Year 2023 Budget

Date	Activity
September 2022	Budget Planning Begins
November 2022	Budget Team meets and discusses major milestones, FY 22-year end issues
Nov. – Dec. 2022	Superintendent presents the proposed budget draft to the Commissioners and Managers
December 15, 2022	Budget Presented to the Water Commission for acceptance. Final approval by Ordinance.

Acknowledgments

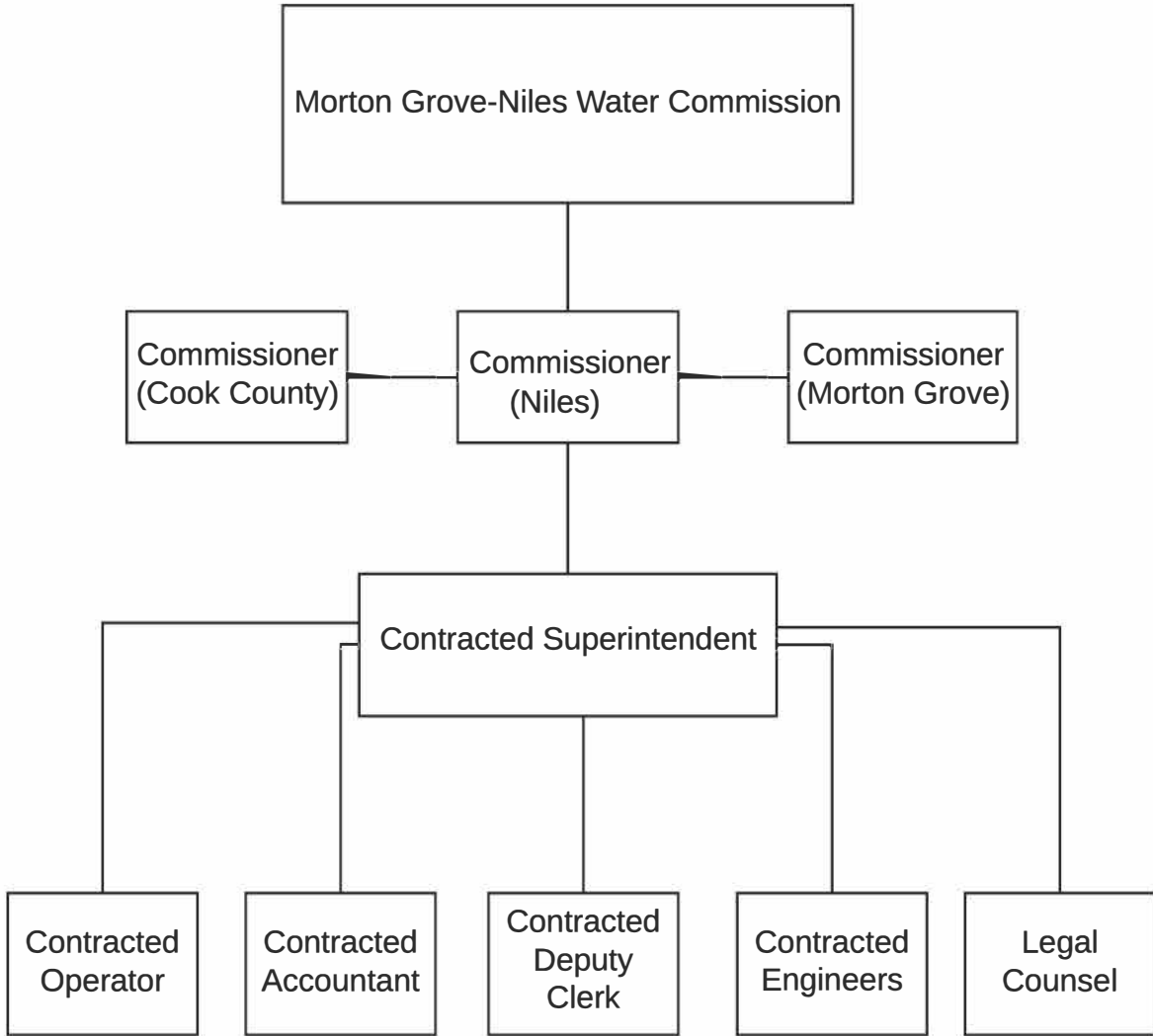
The development of the budget is a considerable undertaking. The resulting document reflects hours of review and analysis, as well as collaborative dialogue between the Commissioners, Engineers, the Management Team, and the Commission Deputy Clerk and Treasurer. I wish to acknowledge all those who have been involved in this process in order to deliver a well-balanced budget meeting Water Commission objective.

Respectfully Submitted,

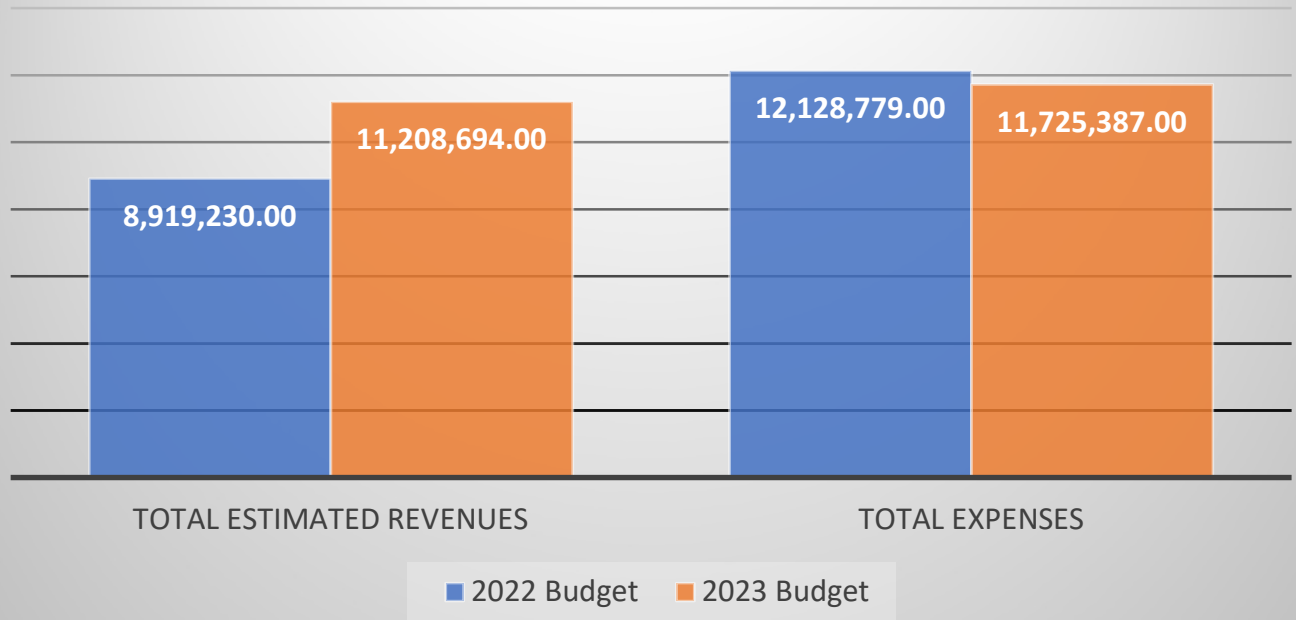


William Balling, Superintendent

Organizational Chart



Revenues v. Expenses



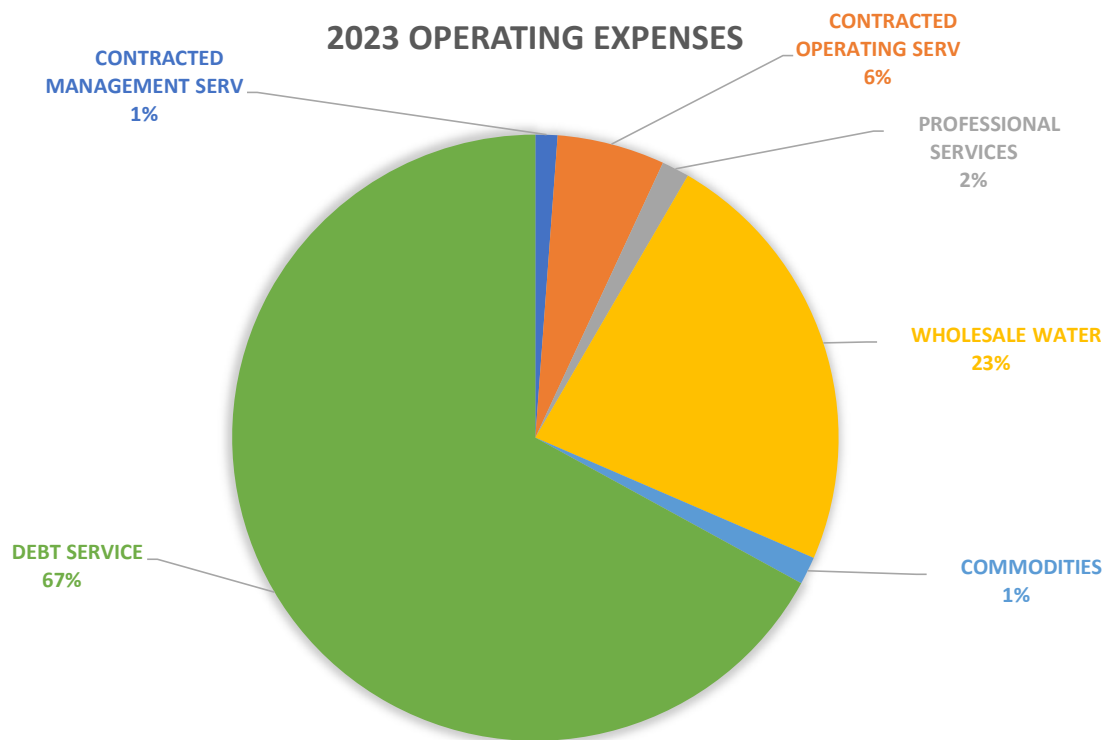


BUDGET REPORT FOR THE MORTON GROVE NILES WATER COMMISSION

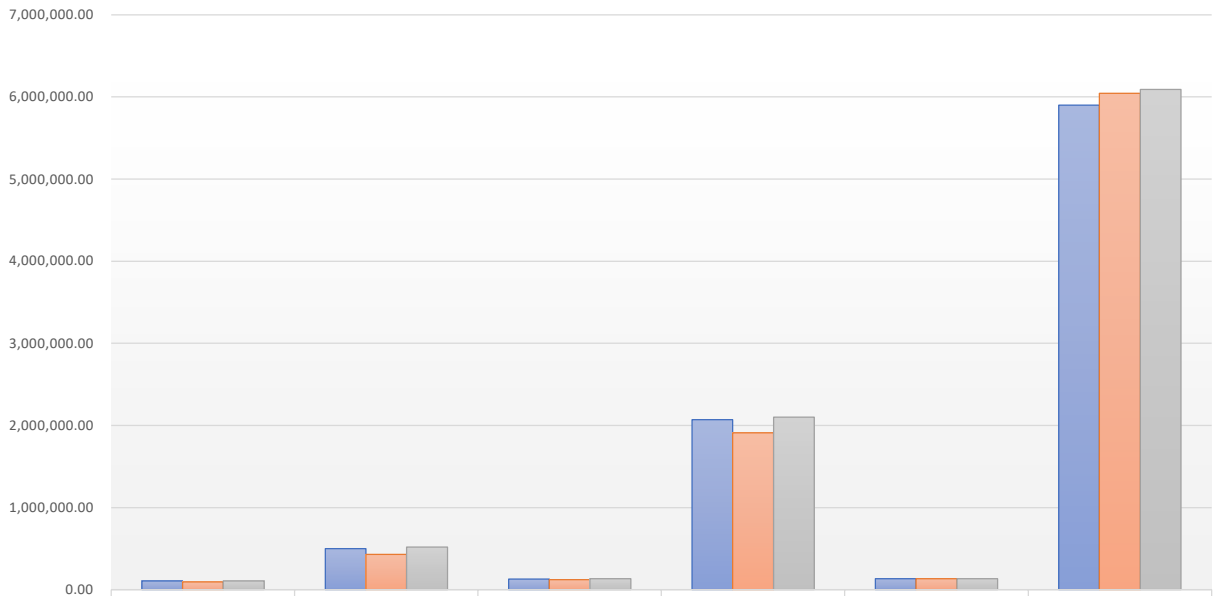
GL NUMBER	DESCRIPTION	2021 ACTIVITY	2022 BUDGET	2022 PROJECTED ACTIVITY	2023 INITIAL REQUEST BUDGET	2023 INITIAL REQUEST AMT CHANGE	2023 INITIAL REQUEST % CHANGE
ESTIMATED REVENUES							
WATER SALES							
75-00-00-40-1010	QUARTERLY MORTON GROVE PAYMENTS	2,857,510.24	3,848,305.00	3,848,305.00	3,946,800.00	98,495.00	2.56
75-00-00-40-1020	QUARTERLY NILES PAYMENTS	4,566,265.50	5,000,925.00	5,000,925.00	5,419,123.00	418,198.00	8.36
	WATER SALES	7,423,775.74	8,849,230.00	8,849,230.00	9,365,923.00	516,693.00	5.84
OTHER FINANCING SOURCES							
75-00-00-42-2010	IEPA LOAN PROCEEDS	2,983,261.46		1,170,087.00	2,289,464.00	2,289,464.00	
	OTHER FINANCING SOURCES	2,983,261.46		1,170,087.00	2,289,464.00	2,289,464.00	
INTEREST INCOME							
75-00-00-42-8120	INTEREST INCOME	8,098.82	70,000.00	26,000.00	70,000.00		
	INTEREST INCOME	8,098.82	70,000.00	26,000.00	70,000.00		
	TOTAL ESTIMATED REVENUES	10,415,136.02	8,919,230.00	10,045,317.00	11,208,694.00	2,289,464.00	25.67
EXPENSES							
CONTRACTED MANAGEMENT SERV							
75-00-00-51-2110	SUPERINENDENT	58,933.00	58,000.00	58,000.00	58,000.00		
75-00-00-51-2120	DEPUTY COMMISSION CLERK	7,940.23	12,000.00	12,000.00	15,000.00	3,000.00	25.00
75-00-00-51-2130	ACCOUNTING	5,761.25	25,000.00	25,000.00	26,500.00	1,500.00	6.00
75-00-00-51-2140	OUTSIDE SPECIAL COUNSEL		10,000.00		7,000.00	(3,000.00)	(30.00)
	CONTRACTED MANAGEMENT SERV	72,634.48	105,000.00	95,000.00	106,500.00	1,500.00	1.43
CONTRACTED OPERATING SERV							
75-00-00-52-2210	OPERATION MANAGEMENT	299,396.09	329,560.00	329,560.00	351,000.00	21,440.00	6.51
75-00-00-52-2220	SCADA MAINTENANCE		5,000.00	4,000.00	4,000.00	(1,000.00)	(20.00)
75-00-00-52-2230	IT SYSTEM MAINTENANCE	20,495.00	17,400.00	16,000.00	17,400.00		
75-00-00-52-2240	EQUIPMENT & PROPERTY MAINTENANCE	5,316.00	15,000.00	17,500.00	20,000.00	5,000.00	33.33
75-00-00-52-2250	CONTRACTED EMERGENCY UNDERGROUND RE	40,241.00	20,000.00	12,000.00	20,000.00		
75-00-00-52-2260	CONTRACTED COMMISSION ENGINEERING SERVIC		95,000.00	50,000.00	85,000.00	(10,000.00)	(10.53)
75-00-00-52-2270	OTHER BUSINESS EXPENSE	133.00	17,800.00	2,000.00	23,800.00	6,000.00	33.71
	CONTRACTED OPERATING SERV	365,581.09	499,760.00	431,060.00	521,200.00	21,440.00	4.29

PROFESSIONAL SERVICES							
75-00-00-53-2310	PROFESSIONAL AND LIABILITY SERVICES	50,428.00	50,428.00	50,428.00	52,950.00	2,522.00	5.00
75-00-00-53-2320	CELLULAR COMMUNICATIONS	1,188.56	2,500.00	750.00	2,500.00		
75-00-00-53-2330	MWRD ANNUAL LEASE PAYMEMTS	43,630.04	64,916.00	64,916.00	68,500.00	3,584.00	5.52
75-00-00-53-2350	AUDIT EXPENSE	7,695.40	10,500.00	4,200.00	10,500.00		
75-00-00-53-2390	PROFESSIONAL SERVICES	730.95					
PROFESSIONAL SERVICES		103,672.95	128,344.00	120,294.00	134,450.00	6,106.00	4.76
WHOLESALE WATER							
75-00-00-54-2410	PURCHASE OF WHOLESALE WATER	1,813,039.96	2,070,914.00	1,910,968.00	2,100,000.00	29,086.00	1.40
WHOLESALE WATER		1,813,039.96	2,070,914.00	1,910,968.00	2,100,000.00	29,086.00	1.40
COMMODITIES							
75-00-00-55-2510	ELECTRICITY	109,912.46	115,000.00	110,000.00	105,000.00	(10,000.00)	(8.70)
75-00-00-55-2520	NATURAL GAS	13,643.45	15,400.00	15,400.00	16,000.00	600.00	3.90
75-00-00-55-2530	MUNICIPAL UTILITIES - MORTON GROVE		675.00		675.00		
75-00-00-55-2540	CHEMICALS	664.00	2,500.00	8,500.00	11,500.00	9,000.00	360.00
75-00-00-55-2550	SUPPLIES & POSTAGE	368.22	500.00	250.00	500.00		
COMMODITIES		124,588.13	134,075.00	134,150.00	133,675.00	(400.00)	(0.30)
DEBT SERVICE							
75-00-00-58-2620	BOND INTEREST EXPENSE	1,037,350.00	1,037,350.00	1,037,350.00	1,037,350.00		
75-00-00-58-2630	IEPA LOAN PRINCIPAL & INTEREST	4,863,872.33	4,863,872.00	5,007,197.00	5,052,748.00	188,876.00	3.88
DEBT SERVICE		5,901,222.33	5,901,222.00	6,044,547.00	6,090,098.00	188,876.00	3.20
75-00-00-58-2625	BOND PREMIUM AMORTIZATION	(3,540.00)					
		(3,540.00)					
TOTAL OPERATING EXPENSES		8,377,198.94	8,839,315.00	8,736,019.00	9,085,923.00	246,608.00	2.79
NONOPERATING EXPENSES							
75-00-00-59-2700	CAPITAL ASSET CONTRIBUTION				250,000.00	250,000.00	
75-00-00-59-2710	NEW CAPITAL CONSTRUCTION				100,000.00	100,000.00	
NONOPERATING EXPENSES					350,000.00	350,000.00	
TOTAL EXPENSES FUNDED BY MEMBERS		8,377,198.94	8,839,315.00	8,736,019.00	9,435,923.00	596,608.00	6.75
CAPITAL OUTLAY							
75-00-00-57-2022	DEPRECIATION EXPENSE	2,038,097.00					
75-00-00-67-3100	CONSTRUCTION	0.88		196,757.56			
75-00-00-67-3104	CONSTRUCTION COST CONTRACT # 4		1,139,464.00		1,139,464.00		
75-00-00-67-3220	STANLEY CONSTRUCTION MANAGEMENT		150,000.00	100,000.00	150,000.00		
75-00-00-99-2710	REPAYMENT OF ADVANCE TO MORTON GROVE		1,000,000.00	1,000,000.00	500,000.00	(500,000.00)	(50.00)
75-00-00-99-2720	REPAYMENT OF ADVANCE TO NILES		1,000,000.00	1,000,000.00	500,000.00	(500,000.00)	(50.00)
CAPITAL OUTLAY		2,038,097.88	3,289,464.00	2,296,757.56	2,289,464.00	(1,000,000.00)	(30.40)
TOTAL EXPENSES		10,415,296.82	12,128,779.00	11,032,776.56	11,725,387.00	(403,392.00)	(3.33)

2023 OPERATING EXPENSES

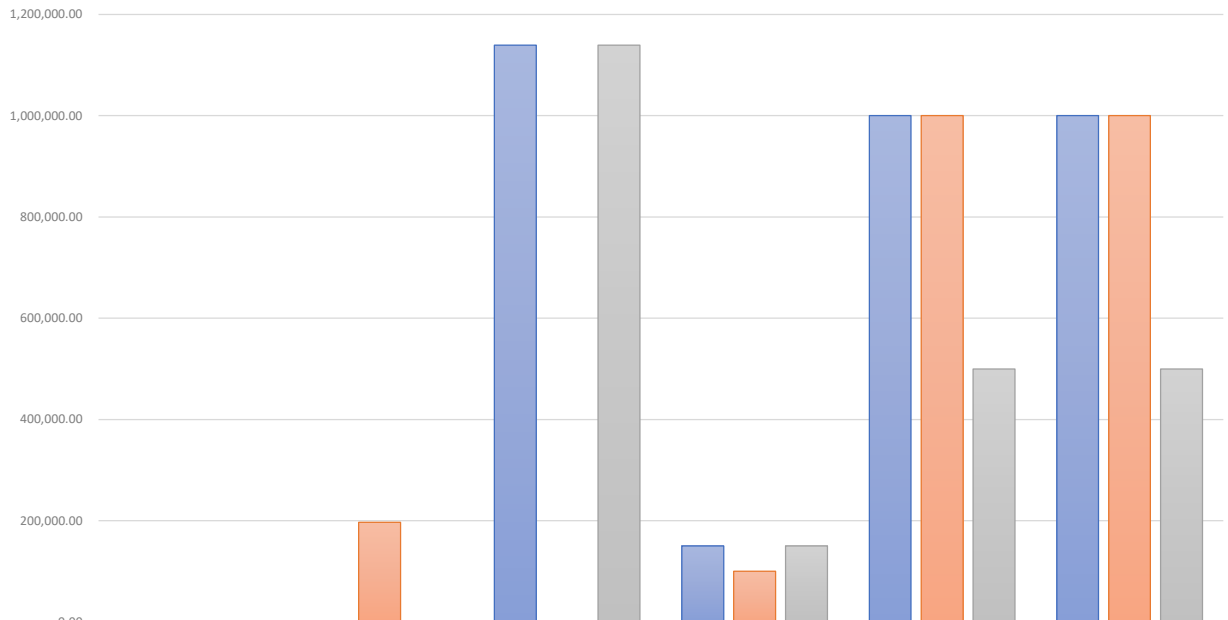


OPERATING BUDGET OVERVIEW



	CONTRACTED MANAGEMENT SERV	CONTRACTED OPERATING SERV	PROFESSIONAL SERVICES	WHOLESALE WATER	COMMODITIES	DEBT SERVICE
■ 2022 BUDGET	105,000.00	499,760.00	128,344.00	2,070,914.00	134,075.00	5,901,222.00
■ 2022 PROJECTED ACTIVITY	95,000.00	431,060.00	120,294.00	1,910,968.00	134,150.00	6,044,547.00
■ 2023 INITIAL REQUEST BUDGET	106,500.00	521,200.00	134,450.00	2,100,000.00	133,675.00	6,090,098.00

CAPITAL OUTLAY



	DEPRECIATION EXPENSE	CONSTRUCTION	CONSTRUCTION COST CONTRACT # 4	STANLEY CONSTRUCTION MANAGEMENT	REPAYMENT OF ADVANCE TO MORTON GROVE	REPAYMENT OF ADVANCE TO NILES
■ 2022 BUDGET			1,139,464.00	150,000.00	1,000,000.00	1,000,000.00
■ 2022 PROJECTED ACTIVITY		196,757.56		100,000.00	1,000,000.00	1,000,000.00
■ 2023 INITIAL REQUEST BUDGET			1,139,464.00	150,000.00	500,000.00	500,000.00