



Fiscal Year 2024 Budget
January 1, 2024 – December 31, 2024

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

2024 Morton Grove-Niles Water Commission Budget

Table of Contents

Budget Message	3-6
Organizational Chart	7
Budget – Annual Revenues v Expenses	8
2024 Budget	9
Operating Expense Summary.....	10
Operating Budget Overview.....	11
Capital Outlay Overview.....	12

December 14, 2023

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

SUBJECT: Annual Budget Message and FY 2024 Budget

Honorable Chairman and Commissioners,

I am pleased to present to you the proposed annual budget for Fiscal Year 2024, which begins on January 1, 2024. The FY2024 budget is structured as a Utility Enterprise fund with two components, the Operating Function with budgeted expenses at \$9,487,318 and the Capital Construction Function with completion budgeted expenses of \$1,875,000.

Each function has its own dedicated source of funding. The Capital construction is funded by funds on hand for the original IEPA Loans to be used to complete all previously approved work elements of the originally approved project, and the remaining funds from the original Alternate Revenue Bond. Water Commission Operations is substantially funded by the Members sharing the operating budget proportional of their demand on the water delivery system. 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 2024 the Annual Charge will be apportioned to Members based on their actual use for the water service year from November 1, 2022 through October 31, 2023. Morton Grove use was 909,556,000 gallons and Niles use was 1,310,013,000 gallons. For 2024 the split in costs between the Village of Morton Grove (**40.98%**) of total water delivered by the Commission and the Village of Niles (**59.89%**) is based on the actual water purchased in the last water service year. 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 FY2024 budget, the Commission uses are a target benchmark, 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 FY2024 Budget is consistent with the projections of this water rate study.

Pursuant to our Water Supply Agreement, the Annual Charge to members is based on the approved operating budget. In 2024, this budget as presented totals \$9,487,318. The Members are obligated to pay their estimated share of use in four equal payments which provides the resources to operative the MGNWC system and pay its debt.

For this budget the base quarterly payments for each Member will be:

	Morton Grove	Niles
January 1, 2024:	\$ 964,804.23	\$ 1,389,525.27
April 1, 2024:	\$ 964,804.23	\$ 1,389,525.27
July 1, 2024:	\$ 964,804.23	\$ 1,389,525.27
October 1, 2024:	\$ 964,804.23	\$ 1,389,525.27

Once the True-Up computation is completed in second quarter of 2024, the Members will receive 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 FY2024 budget are realized, our operational costs would produce a wholesale rate of \$4.33 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 FY2024 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 the Commission continues to deliver the full water demands of our Members, the Members with the support of the Commission are taking further action to secure redundant water supply for emergencies. 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.
- MGNWC will produce annual rate savings each year compared to the price of the City of Chicago current water rate. We have completed our review and are pleased to report rate savings to our Members will be achieved compared to the City of Chicago wholesale rates for their other customers. The current published water rate for Chicago is \$4.55 per 1,000 gallons and based on Chicago’s practice 2% increase is expected June 1, 2024, producing a Chicago rate between \$4.65 and \$4.80. This compares to an estimated MGNWC rate equivalent of \$4.33 through December 31, 2024. This comparison also includes a 100% tax abatement of the MGNWC General Obligations Bonds a commitment that was promised and has been achieved each year of the Water Commission’s revenue structure. MGNWC relies on a user-based rate structure to operate this wholesale water delivery system.
- 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 Commission also calls upon the operational competencies of our Finance Directors, Village Managers, Attorneys, and support staff resources in engineering and IT systems to provide the Commission with a high skill level and in depth of experience.

FY2024 Budget Highlights

The FY2024 budget presents a level of line-item detail which will allow the Commissioners easy tracking of expenditures throughout the year. The Water Commission allocates 70% of expenditures to debt service and 20% of annual expenses to purchase wholesale water from Evanston then resale to its Members. Such an expense profile demands that the Commission structure its operational services with low overhead and contracted services at 5% 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 new sump for dewatering the periodic groundwater infiltrating into our pipe gallery in the main pump station lower level. This will be funded through available funds of the Commission's remaining bond proceeds.

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. In addition, the Water Commission benefits from the contractual provision which caps the maximum charge Evanston may charge in any one year to a maximum of 4% from the prior year. That 4% cap will be applied to 2025 which produces a rate equivalent for water quantity, Depreciation, and Fair Value return on Rate Base at \$.9360. Below is a four-year summary of that rate stability, which illustrates the components of charges that produces the Evanston total water rate.

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)
2024	\$0.36050/1000 gal	\$14,522/mo.	\$103,602/mo.

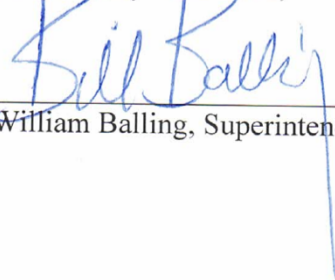
Budget Calendar Fiscal Year 2024 Budget

Date	Activity
September-23	Budget Planning Begins
November-23	Budget Team meets and discusses major milestones, FY 23-year end issues
Nov. – Dec. 2023	Superintendent presents the proposed budget draft to the Commissioners and Managers
December-23	Budget Presented to the Water Commission for acceptance. Final approval by Ordinance.

Acknowledgments

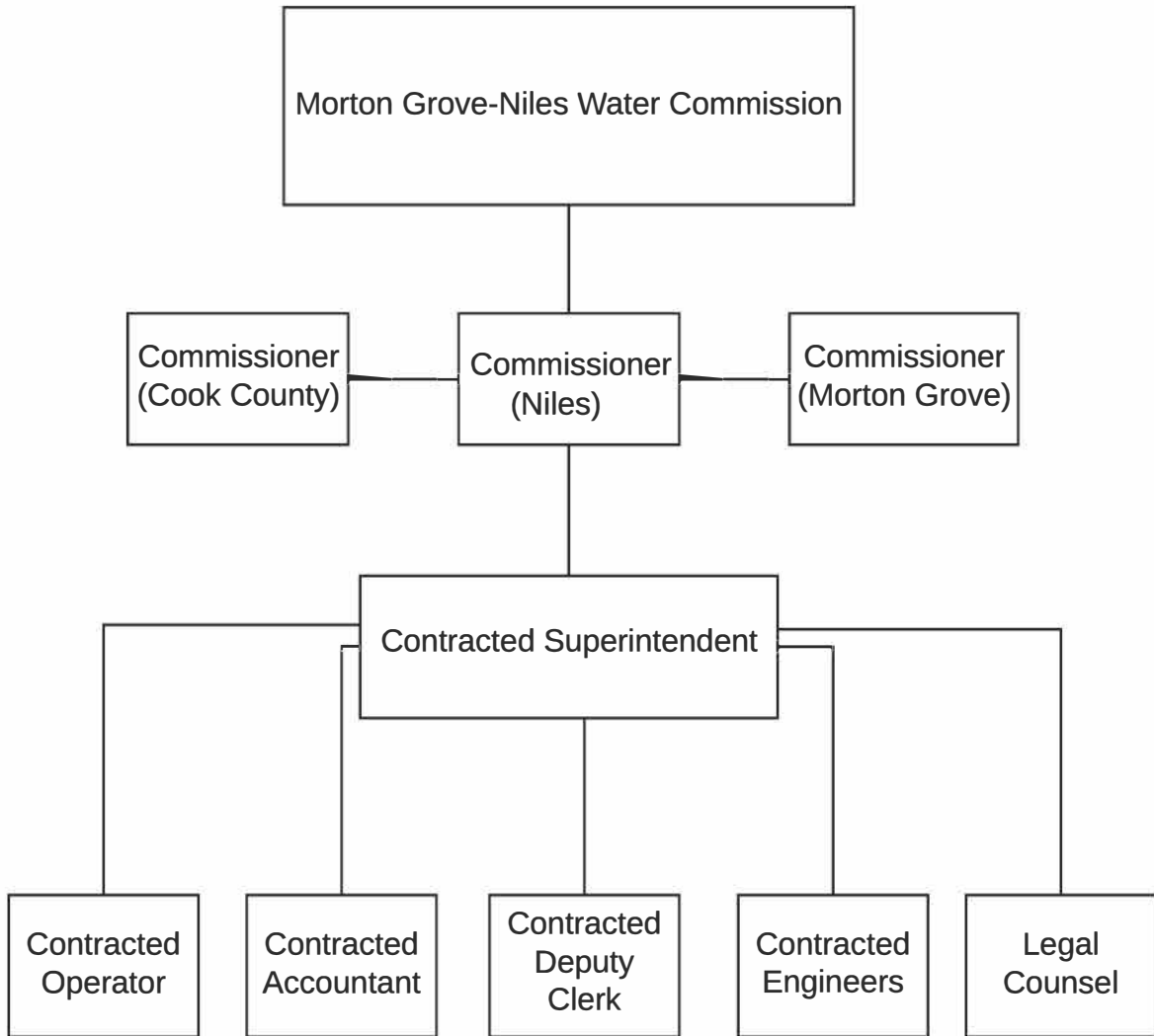
The development of the budget is a considerable undertaking. The resulting document reflects hours of review and analysis, as well as collaborative dialogue between the Commissioners, Engineers, the Management Team, and the Commission Deputy Clerk and Treasurer. I wish to acknowledge all those who have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

Respectfully Submitted,

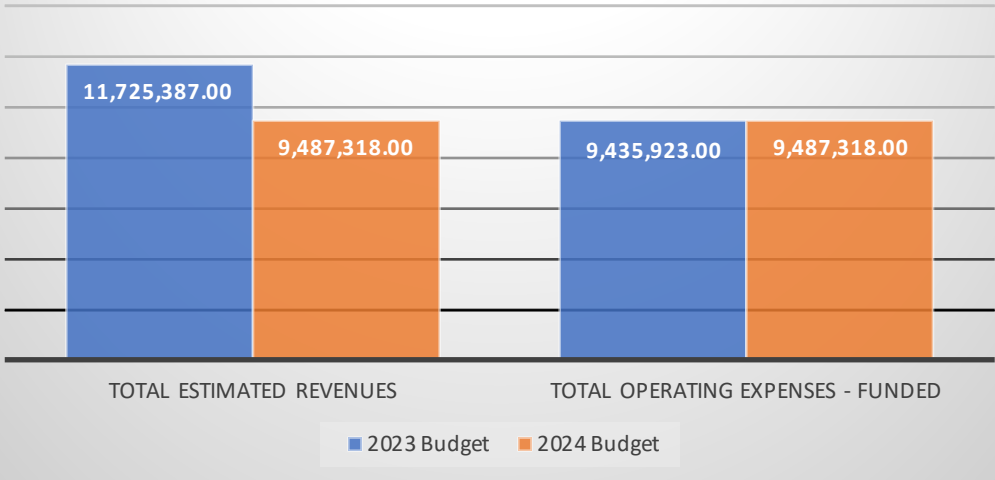


William Balling, Superintendent

Organizational Chart



Revenues v. Expenses

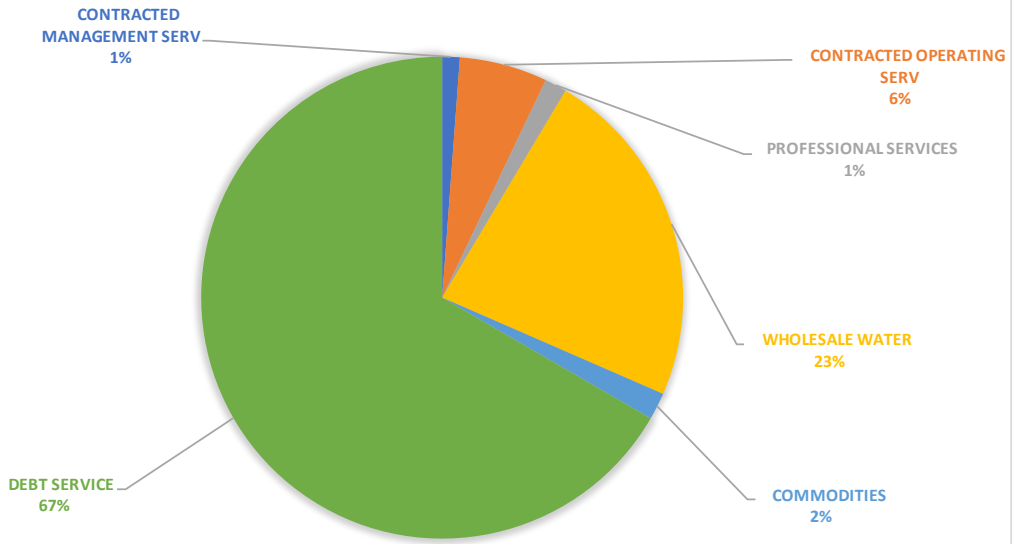




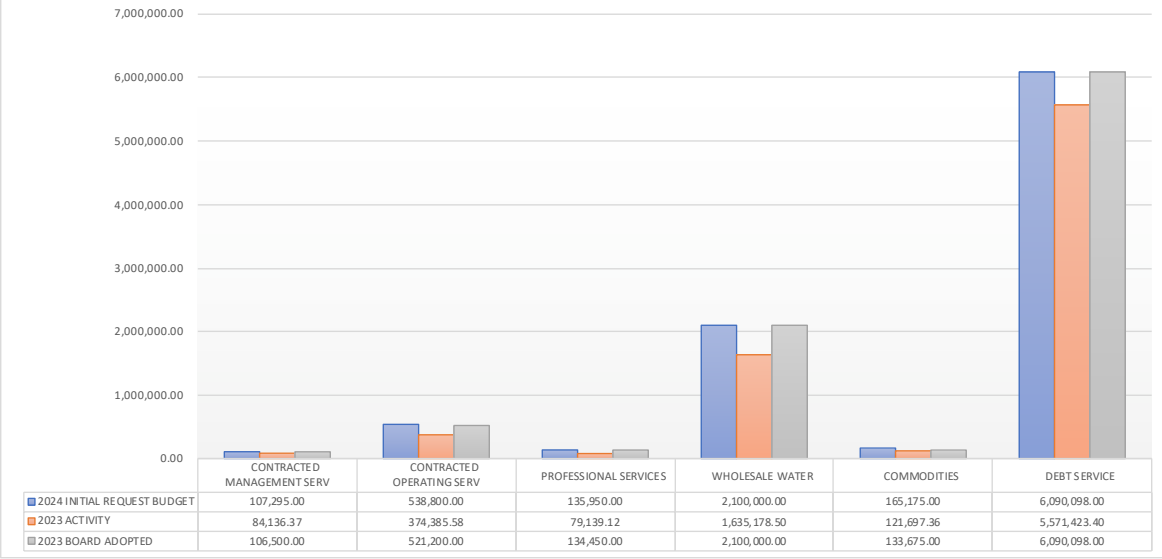
BUDGET REPORT FOR THE MORTON GROVE NILES WATER COMMISSION

GL NUMBER	DESCRIPTION	2023	2023	2024	2024	2024
		BOARD ADOPTED BUDGET	ACTIVITY THRU 10/31/23	INITIAL REQUEST BUDGET	INITIAL REQUEST AMT CHANGE	INITIAL REQUEST % CHANGE
ESTIMATED REVENUES						
WATER SALES						
75-00-00-40-1010	QUARTERLY MORTON GROVE PAYMENTS	3,946,800.00	3,946,800.00	3,859,216.92	(87,583.08)	(2.22)
75-00-00-40-1020	QUARTERLY NILES PAYMENTS	5,419,123.00	5,419,123.00	5,558,101.08	138,978.08	2.56
WATER SALES		9,365,923.00	9,365,923.00	9,417,318.00	51,395.00	0.55
OTHER FINANCING SOURCES						
75-00-00-42-2010	IEPA LOAN PROCEEDS	2,289,464.00			(2,289,464.00)	(100.00)
OTHER FINANCING SOURCES		2,289,464.00			(2,289,464.00)	(100.00)
INTEREST INCOME						
75-00-00-42-8120	INTEREST INCOME	70,000.00	73,801.40	70,000.00		
INTEREST INCOME		70,000.00	73,801.40	70,000.00		
TOTAL ESTIMATED REVENUES		11,725,387.00	9,439,724.40	9,487,318.00	(2,238,069.00)	(19.09)
APPROPRIATIONS						
CONTRACTED MANAGEMENT SERV						
75-00-00-51-2110	SUPERINENDENT	58,000.00	49,000.00	58,000.00		
75-00-00-51-2120	DEPUTY COMMISSION CLERK	15,000.00	12,500.00	15,000.00		
75-00-00-51-2130	ACCOUNTING	26,500.00	22,636.37	27,295.00	795.00	3.00
75-00-00-51-2140	OUTSIDE SPECIAL COUNSEL	7,000.00		7,000.00		
CONTRACTED MANAGEMENT SERV		106,500.00	84,136.37	107,295.00	795.00	0.75
CONTRACTED OPERATING SERV						
75-00-00-52-2210	OPERATION MANAGEMENT	351,000.00	246,022.60	351,000.00		
75-00-00-52-2220	SCADA MAINTENANCE	4,000.00	3,804.40	4,000.00		
75-00-00-52-2230	IT SYSTEM MAINTENANCE	17,400.00	17,750.00	30,000.00	12,600.00	72.41
75-00-00-52-2240	EQUIPMENT & PROPERTY MAINTENANCE	20,000.00	10,860.95	25,000.00	5,000.00	25.00
75-00-00-52-2250	CONTRACTED EMERGENCY UNDERGROUND REPAIR	20,000.00	27,410.00	20,000.00		
75-00-00-52-2260	CONTRACTED COMMISSION ENGINEERING SERVIC	85,000.00	61,686.49	85,000.00		
75-00-00-52-2270	OTHER BUSINESS EXPENSE	23,800.00	6,851.14	23,800.00		
CONTRACTED OPERATING SERV		521,200.00	374,385.58	538,800.00	17,600.00	3.38
PROFESSIONAL SERVICES						
75-00-00-53-2310	PROFESSIONAL AND LIABILITY SERVICES	52,950.00		52,950.00		
75-00-00-53-2320	CELLULAR COMMUNICATIONS	2,500.00	1,163.33	2,500.00		
75-00-00-53-2330	MWRD ANNUAL LEASE PAYMNTS	68,500.00	70,200.79	70,000.00	1,500.00	2.19
75-00-00-53-2350	AUDIT EXPENSE	10,500.00	7,775.00	10,500.00		
75-00-00-53-2390	PROFESSIONAL SERVICES					
PROFESSIONAL SERVICES		134,450.00	79,139.12	135,950.00	1,500.00	1.12
WHOLESALE WATER						
75-00-00-54-2410	PURCHASE OF WHOLESALE WATER	2,100,000.00	1,635,178.50	2,100,000.00		
75-00-00-54-2420	EMERGENCY WATER SUPPLY - OTHER AGENCIES					
WHOLESALE WATER		2,100,000.00	1,635,178.50	2,100,000.00		
COMMODITIES						
75-00-00-55-2510	ELECTRICITY	105,000.00	99,541.16	133,000.00	28,000.00	26.67
75-00-00-55-2520	NATURAL GAS	16,000.00	10,632.49	16,000.00		
75-00-00-55-2530	MUNICIPAL UTILITIES - MORTON GROVE	675.00		675.00		
75-00-00-55-2540	CHEMICALS	11,500.00	11,523.71	15,000.00	3,500.00	30.43
75-00-00-55-2550	SUPPLIES & POSTAGE	500.00		500.00		
COMMODITIES		133,675.00	121,697.36	165,175.00	31,500.00	23.56
DEBT SERVICE						
75-00-00-58-2620	BOND INTEREST EXPENSE	1,037,350.00	518,675.00	1,037,350.00		
75-00-00-58-2630	IEPA LOAN PRINCIPAL & INTEREST	5,052,748.00	5,052,748.40	5,052,748.00		
DEBT SERVICE		6,090,098.00	5,571,423.40	6,090,098.00		
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 OPERATING EXPENSES - FUNDED		9,435,923.00	7,865,960.33	9,487,318.00	51,395.00	0.54%
CAPITAL OUTLAY						
75-00-00-57-2022	DEPRECIATION EXPENSE					
75-00-00-67-3100	CONSTRUCTION		34,185.00	425,000.00	425,000.00	
	MG SOUTH RESERVOIR METER CALIBRATION VAULT	0.00		40,000.00		
	NAPS TRENCH GROUTING (BOLLER)	0.00		360,000.00		
	MISC CONSTRUCTION	0.00		25,000.00		
	GL # FOOTNOTE TOTAL:			425,000.00		
75-00-00-67-3101	CONSTRUCTION COST - CONTRACT #1					
75-00-00-67-3104	CONSTRUCTION COST CONTRACT # 4	1,139,464.00		1,300,000.00	160,536.00	14.09
75-00-00-67-3106	CONSTRUCTION COST CONTRACT #6					
75-00-00-67-3107	CONSTRUCTION COST CONTRACT #7					
75-00-00-67-3108	CONSTRUCTION COST CONTRACT #8					
75-00-00-67-3109	EMERGENCY WATER SUPPLY IMPROVEMENTS					
75-00-00-67-3210	STANLEY DESIGN CONTRACT					
75-00-00-67-3220	STANLEY CONSTRUCTION MANAGEMENT	150,000.00	51,012.12	150,000.00		
75-00-00-67-3260	ON-GOING PROJECT MANAGEMENT					
75-00-00-99-2710	REPAYMENT OF ADVANCE TO MORTON GROVE	500,000.00			(500,000.00)	(100.00)
75-00-00-99-2720	REPAYMENT OF ADVANCE TO NILES	500,000.00			(500,000.00)	(100.00)
CAPITAL OUTLAY		2,289,464.00	85,197.12	1,875,000.00	(414,464.00)	(18.10)
TOTAL APPROPRIATIONS		11,725,387.00	7,951,157.45	11,362,318.00	(363,069.00)	(3.10)

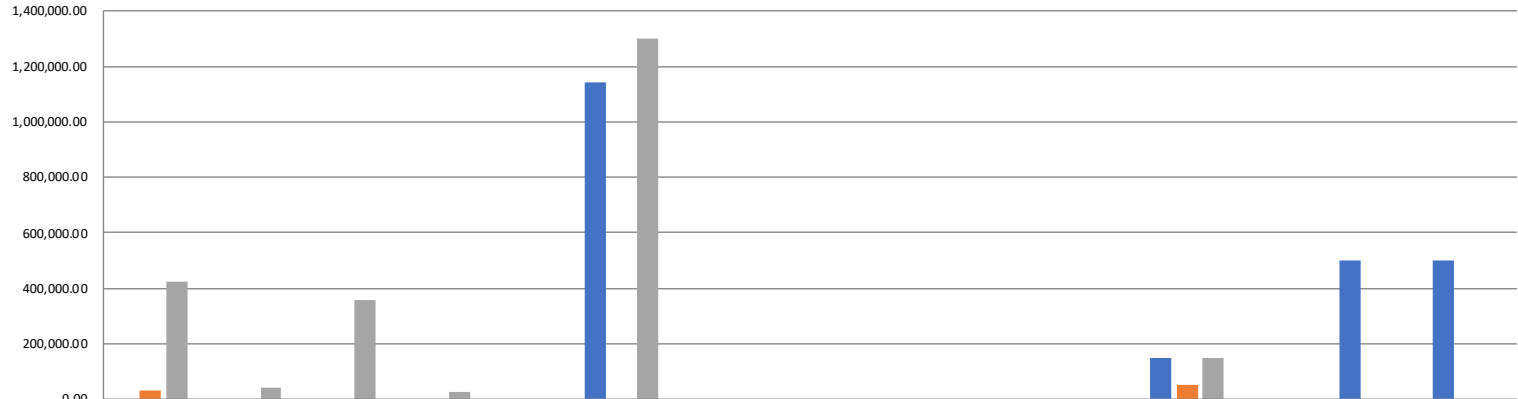
2024 OPERATING EXPENSES



Operating Budget Overview



Capital Outlay



	CONSTRUCTION	MG SOUTH RESERVOIR METER CALIBRATION VAULT	NAPS TRENCH GROUTING (BOLLER)	MISC CONSTRUCTION	CONSTRUCTION COST - CONTRACT #1	CONSTRUCTION COST CONTRACT # 4	CONSTRUCTION COST CONTRACT #6	CONSTRUCTION COST CONTRACT #7	CONSTRUCTION COST CONTRACT #8	EMERGENCY WATER SUPPLY IMPROVEMENTS	STANLEY DESIGN CONTRACT	STANLEY CONSTRUCTION MANAGEMENT	ON-GOING PROJECT MANAGEMENT	REPAYMENT OF ADVANCE TO MORTON GROVE	REPAYMENT OF ADVANCE TO NILES
■ 2023 BOARD ADOPTED		0.00	0.00	0.00		1,139,464.00						150,000.00		500,000.00	500,000.00
■ 2023 ACTIVITY	34,185.00											51,012.12			
■ 2024 INITIAL REQUEST BUDGET	425,000.00	40,000.00	360,000.00	25,000.00		1,300,000.00						150,000.00			