

**INVITATION TO TENDER BONDS FOR PURCHASE**

made by the

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**

*to the Beneficial Owners of the*

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**

**General Obligation Unlimited Tax Refunding Bonds, 2021 Taxable Series E**

**General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2021 Taxable Series F**

**BASE CUSIP: 167560**

**of the series designation, maturities and corresponding CUSIP numbers listed on the inside cover page hereof for a cash price to be determined by Modified Dutch Auction Procedures based upon Offers at Offer Spreads**

**THIS INVITATION WILL EXPIRE AT 5:00 P.M. EASTERN TIME, ON DECEMBER 6, 2024, UNLESS EARLIER CANCELED OR EXTENDED AS DESCRIBED HEREIN. TENDERED TARGET BONDS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE. See “TERMS OF THIS INVITATION” herein.**

This Invitation to Tender Bonds for Purchase, dated November 22, 2024 (as it may be amended or supplemented, including the cover page, inside cover page and appendix, this “**Invitation**”), is made by the Metropolitan Water Reclamation District of Greater Chicago (the “**District**”), with the assistance of Barclays Capital Inc., as Dealer Manager (the “**Dealer Manager**”), to the beneficial owners (the “**Holders**” or “**Bondholders**”) of certain maturities of the District’s outstanding General Obligation Unlimited Tax Refunding Bonds, 2021 Taxable Series E, described on the inside cover page hereof (“**2021E Bonds**”) and General Obligation Unlimited Tax Refunding Bonds, (Alternate Revenue Source), 2021 Taxable Series F, described on the inside cover page hereof (“**2021F Bonds**”), collectively, the “**Target Bonds**”). The District is providing the Holders of the Target Bonds the opportunity to offer to sell all or a portion of their Target Bonds to the District for cash. Should the District determine to purchase any Target Bonds of a particular CUSIP number, there will be a single purchase price (a “**Purchase Price**”) for the Target Bonds of such CUSIP number at which all Target Bonds of such CUSIP number (excluding any Unpurchased Bonds (as defined below)) will be purchased. The Purchase Price for the Target Bonds of a CUSIP number which the District determines to purchase, if any, will be calculated by the District based on a yield determined by adding a fixed spread (each a “**Purchase Spread**”) to the yield on the relevant benchmark United States Treasury Security (each, a “**Benchmark Treasury Security**”) plus a yield adjustment as specified on the inside cover page hereof (each an “**Adjusted Treasury Yield**”). See “TERMS OF THIS INVITATION – Determination of Purchase Spread” for a description of the Modified Dutch Auction Procedures for determining the Purchase Spread and resulting Purchase Price of the Target Bonds of each CUSIP (excluding any Unpurchased Bonds). Each Bondholder is invited by the District to make an offer (an “**Offer**”), expressed as a spread in basis points to be added to the relevant Adjusted Treasury Yield (an “**Offer Spread**”) as described herein, to sell to the District, for payment in cash, all or part of its beneficial ownership interests in the Target Bonds in **Authorized Denominations** (as defined herein). The Target Bonds, if any, which the District decides to purchase will be purchased on December 19, 2024, unless such date is extended by the District, assuming all conditions to the Invitation have then been satisfied or waived by the District (the “**Settlement Date**”). Accrued but unpaid interest on the Target Bonds, if any, purchased by the District up to but not including the Settlement Date (the “**Accrued Interest**”) will also be paid on the Settlement Date.

The total of each Purchase Price of the Target Bonds of each CUSIP number validly tendered and purchased by the District pursuant to this Invitation (the “**Aggregate Purchase Price**”), in addition to the payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase, is expected to be funded from net proceeds of the District’s General Obligation Unlimited Tax Refunding Bonds, 2024 Series D (the “**2024D Bonds**”) with respect to the validly tendered and accepted for purchase the 2021E Bonds, and the General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2024 Series E, with respect to the validly tendered and accepted for purchase the 2021F Bonds (the “**2024E Bonds**”) and together with the 2024D Bonds, the “**2024 Bonds**”), intended to be issued on the Settlement Date. **The purchase of any Target Bonds tendered pursuant to this Invitation is subject to certain conditions, including, without limitation, the Financing Conditions (as defined herein). See “INTRODUCTION – General” herein. This Invitation does not constitute an offer to purchase, or a solicitation of an offer to buy, any 2024 Bonds.**

**THE DISTRICT IS OFFERING PREFERENCE OF ALLOCATION FOR THE 2024 BONDS TO ANY TENDERING BONDHOLDER, UP TO THE PRINCIPAL AMOUNT TENDERED BY SUCH BONDHOLDER AND ACCEPTED BY THE DISTRICT. BONDHOLDERS SEEKING A PRIORITY ALLOCATION MUST READ AND CLOSELY FOLLOW THE PROCEDURES DESCRIBED IN “INTRODUCTION – District Instruction of Priority of Allocations of 2024 Bonds” herein.**

**TARGET BONDS THAT ARE NOT OFFERED FOR PURCHASE IN RESPONSE TO THIS INVITATION, AS WELL AS OFFERED TARGET BONDS WHICH THE DISTRICT DOES NOT PURCHASE IN RESPONSE TO THIS INVITATION (ALL SUCH TARGET BONDS, THE “UNPURCHASED BONDS”) WILL REMAIN OUTSTANDING. UNPURCHASED BONDS THAT ARE OFFERED BUT NOT PURCHASED BY THE DISTRICT WILL BE RETURNED TO THE RESPECTIVE HOLDERS THAT OFFERED SUCH TARGET BONDS. THE DISTRICT MAY AT ANY TIME REFUND, REDEEM, DEFENSE, OR OFFER TO PURCHASE OR EXCHANGE SOME OR ALL OF THE UNPURCHASED BONDS ACCORDING TO THEIR TERMS. See “INTRODUCTION – General” and “– Unpurchased Bonds” herein.**

To make an informed decision as to whether, and how, to offer Target Bonds, Holders should read this Invitation in its entirety, including Appendix A, carefully and are advised to consult with their broker, account executive, financial advisor, attorney, and/or other appropriate professional (“**Financial Representative**”).

Any Bondholder wishing to offer Target Bonds must follow the procedures for Offers more specifically described herein. Bondholders and their Financial Representatives with questions about this Invitation should contact the Dealer Manager or the Information Agent and Tender Agent. For more information about risks associated with this Invitation, please see “ADDITIONAL CONSIDERATIONS” herein.

**Key Dates and Times**

*All of these dates and times are subject to change. All times are Eastern time. Notices of changes will be sent in the manner provided for in this Invitation.*

Launch Date and Series 2024 Bonds POS Posting.....	<b>November 22, 2024</b>
Expiration Date and Withdrawal Deadline (unless extended as provided for herein).....	<b>5:00 p.m. on December 6, 2024</b>
Preliminary Acceptance Date.....	<b>December 9, 2024</b>
Determination of Taxable Target Bonds Purchase Prices.....	<b>Approximately 10:00 a.m. on December 10, 2024</b>
Notice of Taxable Target Bonds Purchase Prices.....	<b>December 10, 2024</b>
Final Acceptance Date.....	<b>December 11, 2024</b>
Settlement Date.....	<b>December 19, 2024</b>

<p>The Dealer Manager for this Invitation is <b>Barclays Capital Inc.</b></p>	<p>The Information Agent and Tender Agent for this Invitation is <b>Globic Advisors Inc.</b></p>
<p>The date of this Invitation is November 22, 2024.</p>	

**BONDS SUBJECT TO THIS INVITATION**

**Target Bonds Offered for Purchase  
Solicited by Modified Dutch Auction Procedures Based Upon Offer Spreads<sup>1</sup>**

**Base CUSIP: 167560**

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO  
General Obligation Unlimited Tax Refunding Bonds, 2021 Taxable Series E (“2021E Bonds”)**

<b>Maturity Date (December 1)</b>	<b>CUSIP Suffix<sup>2</sup></b>	<b>Interest Rate</b>	<b>Principal Amount Outstanding</b>	<b>Benchmark Treasury Security<sup>3</sup></b>	<b>Benchmark UST Rate as of COB on November 20, 2024</b>	<b>Yield Adjustment to Benchmark Treasury Security in Basis Points<sup>4</sup></b>	<b>Offer Spread Guidance in Basis Points<sup>5</sup></b>	<b>Illustrative Purchase Yield/Price Resulting from Offer Spread Guidance<sup>6</sup></b>
2026	VZ1	1.615%	\$4,270,000	2-Year	4.319%	-100	+60.0	3.919% / 95.714
2027	WA5	1.818%	16,315,000	3-Year	4.271%	-100	+70.0	3.971% / 94.061
2028	WB3	2.018%	14,565,000	5-Year	4.280%	-100	+75.0	4.030% / 92.719
2029	WC1	2.134%	4,890,000	5-Year	4.280%	-100	+80.0	4.080% / 91.356
2032	WD9	2.534%	50,780,000	10-Year	4.414%	-100	+90.0	4.314% / 88.126
2033	WE7	2.684%	21,665,000	10-Year	4.414%	-100	+95.0	4.364% / 87.661

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO  
General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2021 Taxable Series F (“2021F Bonds”)**

<b>Maturity Date (December 1)</b>	<b>CUSIP Suffix<sup>2</sup></b>	<b>Interest Rate</b>	<b>Principal Amount Outstanding</b>	<b>Benchmark Treasury Security<sup>3</sup></b>	<b>Benchmark UST Rate as of COB on November 20, 2024</b>	<b>Yield Adjustment to Benchmark Treasury Security in Basis Points<sup>4</sup></b>	<b>Offer Spread Guidance in Basis Points<sup>5</sup></b>	<b>Illustrative Purchase Yield/Price Resulting from Offer Spread Guidance<sup>6</sup></b>
2025	WJ6	1.415%	\$2,165,000	2-Year	4.319%	-100	+65.0	3.969% / 97.641
2026	WK3	1.615%	2,195,000	2-Year	4.319%	-100	+60.0	3.919% / 95.714
2027	WL1	1.818%	2,230,000	3-Year	4.271%	-100	+70.0	3.971% / 94.061
2028	WM9	2.018%	2,270,000	5-Year	4.280%	-100	+75.0	4.030% / 92.719
2029	WN7	2.134%	2,315,000	5-Year	4.280%	-100	+80.0	4.080% / 91.356
2030	WP2	2.234%	2,365,000	7-Year	4.346%	-100	+85.0	4.196% / 89.762
2031	WQ0	2.334%	2,415,000	7-Year	4.346%	-100	+90.0	4.246% / 88.595
2032	WR8	2.534%	2,475,000	10-Year	4.414%	-100	+90.0	4.314% / 88.126
2033	WS6	2.684%	2,535,000	10-Year	4.414%	-100	+95.0	4.364% / 87.661
2034	WT4	2.784%	2,605,000	10-Year	4.414%	-100	+105.0	4.464% / 86.619
2035	WU1	2.884%	2,675,000	10-Year	4.414%	-100	+110.0	4.514% / 86.037
2036	WV9	2.984%	2,755,000	10-Year	4.414%	-100	+120.0	4.614% / 85.153
2041 <sup>7</sup>	WW7	3.060%	14,085,000	10-Year	4.414%	-100	+135.0	4.764% / 81.988

1 A Bondholder may make an Offer to sell Target Bonds of a CUSIP number in an amount of its choosing up to the principal amount of Target Bonds owned by the Bondholder expressed as the principal amount of such Target Bonds (in Authorized Denominations) and the Offer Spread to be added to the yield on the relevant Benchmark Treasury Security plus the relevant yield adjustment set forth above used in establishing the Purchase Price for such Target Bonds. An Offer Spread must be expressed as a number of basis points and contain no more than one number to the right of the decimal point. Any Offer Spread containing more than one number to the right of the decimal point will be truncated to one number, without rounding. See “TERMS OF THIS INVITATION – Offers of Target Bonds at an Offer Spread”.

2 CUSIP is a registered trademark of the American Bankers Association. CUSIP information herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the District, the Dealer Manager, or the Information Agent and Tender Agent nor their respective agents or counsel assumes responsibility for the accuracy of such numbers.

3 Each Benchmark Treasury Security will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of the date and time that each Target Bond’s Purchase Price is set, currently expected to be December 10, 2024. The yield on the Benchmark Treasury Security to be used in establishing the Purchase Prices for the Target Bonds will be based on the bid-side price of the U.S. Benchmark Treasury as quoted on the Bloomberg Bond Trader FIT series of pages at approximately 10:00 a.m., Eastern time, on December 10, 2024. See “TERMS OF THIS INVITATION – Determination of the Purchase Spread”.

- 4 In order to accommodate Bondholders who desire to submit an offer of 0.0 bps or an offer at a negative spread to the Benchmark Treasury Security that would result in such Target Bonds being effectively offered at or below the yield of the relevant Benchmark Treasury Security, a Bondholder's Offer Spread will be added to the relevant Adjusted Treasury Yield.
- 5 The Offer Spread Guidance is provided solely for the purpose of assisting Bondholders in formulating offers for their Target Bonds. See "TERMS OF THIS INVITATION – Offer Spread Guidance" herein.
- 6 Illustrative Purchase Price excludes accrued but unpaid interest and is based on yields for Benchmark Treasury Securities plus the relevant yield adjustment set forth above as of the close of business on November 20, 2024. The Illustrative Price is provided for informational purposes only. The Purchase Price of a Target Bond of a CUSIP number will be determined based on numerous factors described herein. Bondholders are not permitted to submit offers based on a specific price. Illustrative Price Resulting from Offer Spread Guidance is in \$ per \$100 principal amount.
- 7 The Target Bond maturing on December 1, 2041 is subject to sinking fund redemption payments on December 1 in 2037, 2038, 2039, 2040 and 2041 and its Purchase Price will be calculated assuming its average life date of November 2, 2039 as its maturity date. See "TERMS OF THIS INVITATION – Determination of Purchase Price" herein.

## IMPORTANT INFORMATION

*This Invitation and the other information with respect to this Invitation are and will be available from Barclays Capital Inc., as Dealer Manager (the “**Dealer Manager**”), and Globic Advisors Inc. (the “**Information Agent and Tender Agent**”), at <https://emma.msrb.org> and <https://www.globic.com/MWRD>. Bondholders wishing to offer their Target Bonds for purchase pursuant to this Invitation must follow the procedures described in this Invitation. The District may cancel, amend, or otherwise modify or waive any terms or conditions of this Invitation as described herein. The District will have no obligation to accept offered Target Bonds for purchase or to purchase Target Bonds offered and accepted for purchase if this Invitation is cancelled or modified, the 2024 Bonds are not issued, or any of the other conditions set forth herein are not satisfied. The sale of the 2024 Bonds is subject to market conditions and conditions to be satisfied on or prior to the Settlement Date. The District further reserves the right to accept nonconforming Offers of Target Bonds or waive irregularities in any Offer of Target Bonds. The consummation of this Invitation is also subject to certain other conditions as described herein. **TARGET BONDS THAT ARE NOT OFFERED FOR PURCHASE IN RESPONSE TO THIS INVITATION, AS WELL AS OFFERED TARGET BONDS WHICH THE DISTRICT DOES NOT PURCHASE IN RESPONSE TO THIS INVITATION (ALL SUCH TARGET BONDS, THE “UNPURCHASED BONDS”) WILL REMAIN OUTSTANDING. UNPURCHASED BONDS THAT ARE OFFERED BUT NOT PURCHASED BY THE DISTRICT WILL BE RETURNED TO THE RESPECTIVE HOLDERS THAT OFFERED SUCH TARGET BONDS. THE DISTRICT MAY DECIDE AT ANY TIME TO REFUND, REDEEM, DEFEASE, OR OFFER TO PURCHASE OR EXCHANGE SOME OR ALL OF THE UNPURCHASED BONDS.***

*The Target Bonds maturing on or after December 1, 2032 are subject to redemption prior to their stated maturity date at the option of the District, on any date on or after December 1, 2031, as a whole, or in part by such maturity or mandatory sinking account payment as may be determined by the District, at a redemption price equal to the principal amount of such Target Bonds called for redemption, plus accrued interest thereon to the date of redemption, without premium. The Target Bonds are also subject to make whole redemption prior to their respective stated maturity dates as set forth the ordinance for each series of Target Bonds.*

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS INVITATION OR PASSED UPON THE FAIRNESS OR MERITS OF THIS INVITATION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS INVITATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THIS INVITATION IS NOT BEING EXTENDED TO, AND OFFERS OF TARGET BONDS AND TARGET BONDS TENDERED IN RESPONSE TO THIS INVITATION WILL NOT BE ACCEPTED FROM OR ON BEHALF OF, BONDHOLDERS IN ANY JURISDICTION IN WHICH THIS INVITATION OR SUCH OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION. IN ANY JURISDICTIONS WHERE SECURITIES, “BLUE SKY” OR OTHER LAWS REQUIRE THIS INVITATION TO BE MADE THROUGH A LICENSED OR REGISTERED BROKER OR DEALER, THIS INVITATION SHALL BE DEEMED TO BE MADE ON BEHALF OF THE DISTRICT THROUGH THE DEALER MANAGER.**

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not a part of, this Invitation.

The delivery of this Invitation shall not under any circumstances create any implication that any information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or materials delivered herewith or in the affairs of the District, since the date hereof. The information contained in this Invitation, including Appendix A, is as of the date of this Invitation only and is subject to change, completion, or amendment without notice.

The District, the Dealer Manager and the Information Agent and Tender Agent are not responsible (a) for transmitting any offer or (b) for the Depository Trust Company (“DTC”) process and Holders’ interactions with DTC and the DTC participants.

The Dealer Manager makes no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, including Appendix A. The Dealer Manager has not independently verified any of the information contained herein, and assumes no responsibility for the accuracy or completeness of any such information.

None of the District, the Dealer Manager, or the Information Agent and Tender Agent makes any recommendation that any Bondholder offer or refrain from offering all or any portion of such Bondholder's Target Bonds for purchase. Bondholders must make their own decisions and should read this Invitation carefully and consult with their broker, account executive, financial advisor, attorney, and/or other appropriate professional ("**Financial Representative**") in making these decisions.

Certain statements included in this Invitation constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Such statements are generally identifiable by the terminology used such as "forecast," "plan," "expect," "estimate," "budget," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when changes to its expectations, or events, conditions, or circumstances on which such statements are based, occur.

This Invitation, including Appendix A, contains important information which should be read in its entirety before any decision is made with respect to this Invitation.

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**INVITATION TO TENDER BONDS FOR PURCHASE**

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**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**  
*to the Beneficial Owners of the*

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**  
**General Obligation Unlimited Tax Refunding Bonds, 2021 Taxable Series E**  
**General Obligation Unlimited Tax Refunding Bonds, (Alternate Revenue Source), 2021 Taxable Series F**

**INTRODUCTION**

**General**

This Invitation to Tender Bonds for Purchase, dated November 22, 2024 (as it may be amended or supplemented, including the cover page, inside cover page and appendix, this “**Invitation**”), is made by the Metropolitan Water Reclamation District of Greater Chicago (the “**District**”), with the assistance of Barclays Capital Inc., as Dealer Manager (the “**Dealer Manager**”), to the beneficial owners (the “**Holders**” or “**Bondholders**”) of certain maturities of its outstanding General Obligation Unlimited Tax Refunding Bonds, 2021 Taxable Series E and General Obligation Unlimited Tax Refunding Bonds, (Alternate Revenue Source), 2021 Taxable Series F as described on the inside cover page hereof (collectively, the “**Target Bonds**”). The District is providing the Holders of the Target Bonds the opportunity to offer to sell all or a portion of their Target Bonds to the District for cash. Should the District determine to purchase any Target Bonds of a particular CUSIP number, there will be a single purchase price (a “**Purchase Price**”) for the Target Bonds of such CUSIP number at which all Target Bonds of such CUSIP number (excluding any Unpurchased Bonds (as defined below)) will be purchased. The Purchase Price for the Target Bonds of a CUSIP number which the District determines to purchase, if any, will be calculated by the District based on a yield determined by adding a fixed spread in basis points (each a “**Purchase Spread**”) to the yield on the relevant benchmark United States Treasury Security (each, a “**Benchmark Treasury Security**”) plus a yield adjustment corresponding to such maturity as specified on the inside cover page hereof (each an “**Adjusted Treasury Yield**”). See “TERMS OF THIS INVITATION – Determination of Purchase Spread” for a description of the Modified Dutch Auction Procedure for determining the Purchase Spread and resulting Purchase Price of the Target Bonds of each CUSIP number (excluding any Unpurchased Bonds). Each Bondholder is invited by the District to make an offer (an “**Offer**”), expressed as a spread in basis points to be added to the relevant Adjusted Treasury Yield (an “**Offer Spread**”), to sell to the District, for payment in cash, all or part of its beneficial ownership interests in the Target Bonds in Authorized Denominations (as defined below). The Target Bonds, if any, which the District decides to purchase will be purchased on December 19, 2024, unless such date is extended by the District, assuming all conditions to the Invitation have then been satisfied or waived by the District (such date being the “**Settlement Date**”). Accrued but unpaid interest on the Target Bonds, if any, purchased by the District up to but not including the Settlement Date (the “**Accrued Interest**”) will also be paid on the Settlement Date.

The District may decide to purchase less than all (or none) of the Target Bonds offered to the District on the terms and conditions described in this Invitation (see “TERMS OF THIS INVITATION – Determination of Amounts to be Purchased”). Offers must be submitted by 5:00 p.m., Eastern time, on December 6, 2024 (or such later date as the District may determine, the “**Expiration Date**”). The District may extend, amend, waive the terms of, or otherwise modify this Invitation at any time on or prior to the Expiration Date. The District may also, at any time prior to the Settlement Date, cancel this Invitation in the District’s sole discretion if the Financing Conditions or any other condition described in this Invitation shall not have been satisfied, in which case the District will have no obligation to purchase Offered Bonds. See “TERMS OF THIS INVITATION – Extension, Cancellation and Amendment; Changes to Terms” for a description of the right of the District to extend, cancel, amend, waive the terms of or otherwise modify this Invitation.

The total of each Purchase Price of the Target Bonds by CUSIP number validly tendered and purchased by the District pursuant to this Invitation (the “**Aggregate Purchase Price**”), in addition to the payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase, is expected to be funded from net proceeds of the District’s General Obligation Unlimited Tax Refunding Bonds, 2024 Series D (the “**2024D Bonds**”) for the 2021E Bonds, and the General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2024 Series E for the 2021F Bonds (the “**2024E Bonds**” and together with the 2024D Bonds, the “**2024 Bonds**”), to be issued on the

Settlement Date. **The purchase of any Target Bonds tendered pursuant to this Invitation is subject to certain conditions, including, without limitation, the Financing Conditions (as defined herein).**

**Notwithstanding any other provision of this Invitation, the District has no obligation to accept for purchase any tendered Target Bonds, and its obligation to pay for Target Bonds validly tendered (and not validly withdrawn) and accepted pursuant to this Invitation is subject to the satisfaction of or waiver of the following conditions on or prior to the Settlement Date: (a) the successful completion by the District of the issuance of the 2024 Bonds, the proceeds of which will be sufficient to (i) fund the Aggregate Purchase Price and Accrued Interest of all Target Bonds validly tendered and accepted for purchase pursuant to this Invitation, and (ii) pay all fees and expenses associated with the issuance of the 2024 Bonds and this Invitation; and (b) the District obtaining satisfactory and sufficient economic benefit as a result of the purchase of Target Bonds pursuant to this Invitation, when taken together with the issuance of the 2024 Bonds as described in the 2024 Bonds Preliminary Official Statement (as defined below) (collectively, the “*Financing Conditions*”), all on terms and conditions that are in the District’s best interest. The District reserves the right, subject to applicable law, to amend or waive any of the conditions to this Tender Offer, in whole or in part, at any time prior to the Expiration Date (as defined herein) or from time to time. This Tender Offer may be withdrawn by the District at any time prior to the Expiration Date. This Invitation does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2024 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.**

If Target Bonds are not accepted for purchase by the District, or all of the conditions to this Invitation are not satisfied or waived by the District on or prior to the Settlement Date, any such Target Bonds offered pursuant to this Invitation shall be returned to the Bondholder and remain outstanding.

**TARGET BONDS THAT ARE NOT OFFERED FOR PURCHASE IN RESPONSE TO THIS INVITATION, AS WELL AS OFFERED TARGET BONDS THAT THE DISTRICT DOES NOT PURCHASE IN RESPONSE TO THIS INVITATION (ALL SUCH TARGET BONDS, THE “UNPURCHASED BONDS”) WILL REMAIN OUTSTANDING. UNPURCHASED BONDS THAT ARE OFFERED BUT NOT PURCHASED BY THE DISTRICT WILL BE RETURNED TO THE RESPECTIVE HOLDERS THAT OFFERED SUCH TARGET BONDS. THE DISTRICT MAY AT ANY TIME REFUND, REDEEM, DEFEASE, OR OFFER TO PURCHASE OR EXCHANGE SOME OR ALL OF THE UNPURCHASED BONDS ACCORDING TO THEIR TERMS. See “– Unpurchased Bonds” below.**

This Invitation is being issued as part of a plan of finance to use the net proceeds from the sale of the 2024 Bonds for the retirement of the Target Bonds by purchasing them pursuant to this Invitation. Further, as described herein, the District’s purchase of Target Bonds pursuant to this Invitation is contingent upon receipt of sufficient proceeds for such purpose from the issuance of the 2024 Bonds and other available moneys of the District. There can be no assurance that the 2024 Bonds will be issued or when they will be issued, or that the proceeds thereof, together with other available moneys of the District, will be sufficient to enable the District to purchase any or all of the Target Bonds validly tendered for purchase.

A purpose, among others, of this Invitation, together with the issuance of the 2024 Bonds, is to produce present value debt service savings. Thus, the final decision to purchase Target Bonds, and, if less than all of the Target Bonds that are tendered are purchased, which Target Bonds will be accepted for purchase by the District, will be based upon market conditions associated with the sale of the 2024 Bonds and other factors outside of the control of the District.

### **Offer Spread Guidance**

Based on market conditions as of November 22, 2024, the District expects to accept all offers with Offer Spreads equal to or greater than the Offer Spread Guidance shown on the inside cover page hereof (the “**Offer Spread Guidance**”). The District will review all Offers and may, in its sole discretion, determine a Purchase Spread for each CUSIP number which is greater than, less than or equal to the Offer Spread Guidance.



## **Binding Contract to Sell**

If a Bondholder's Offer is accepted by the District by the time specified herein, the Bondholder will be obligated to sell, and the District will be obligated to purchase, such Target Bonds on the Settlement Date at the Purchase Price for such Target Bonds, plus Accrued Interest, subject to the conditions described herein.

## **Sources of Funds to Purchase Target Bonds**

The Aggregate Purchase Price, and Accrued Interest on the Series 2021E Bonds validly tendered and accepted for purchase, are expected to be funded from net proceeds of the District's Series 2024D Bonds and with respect to the Series 2021F Bonds validly tendered and accepted for purchase, are expected to be funded from net proceeds of the District's Series 2024E Bonds, both of which are intended to be issued on the Settlement Date, subject to market conditions at the time of sale thereof and conditions required to be satisfied on or prior to the Settlement Date. The purchase of any Target Bonds tendered pursuant to this Invitation is subject to certain conditions, including, without limitation, the Financing Conditions See "– General" above

## **District Instruction of Priority of Allocations of 2024 Bonds**

The District has instructed Barclays Capital Inc., in its capacity as book running senior manager of the District's 2024 Bonds ("**Senior Manager**"), that any Bondholder who tenders any Bonds pursuant to this Tender Offer, which tender offer is accepted by the District, and who also submits an order to purchase 2024 Bonds will, subject to the following sentence, have a preference of allocation for the 2024 Bonds up to the principal amount of Bonds that such Bondholder is tendering and that is accepted by the District. The Senior Manager has the discretion to accept orders outside of the District's instructed priorities if it determines it is in the best interest of the syndicate of Underwriters for the 2024 Bonds, in accordance with the rules of the Municipal Securities Rulemaking Board. The District also has the discretion to alter its instructions. As such, Bondholders are advised that such priority allocation may not ultimately be available.

**Bondholders seeking an allocation priority must provide the following information in written or electronic format to the Dealer Manager (e.g., at [munisyndicate@barclays.com](mailto:munisyndicate@barclays.com)): (i) the name of account or fund seeking allocation priority, (ii) the CUSIPs of the tendered bonds, (iii) the principal amount of 2024 Bonds tendered by CUSIP, (iv) the Offer Spreads, if applicable, of the tendered bonds by CUSIP, (v) the name of the applicable DTC Participant, and (vi) DTC participant number. THE REQUESTED INFORMATION SHOULD BE PROVIDED NO LATER THAN 5:00 P.M., NEW YORK CITY TIME, ON THE NEXT BUSINESS DAY FOLLOWING THE EXPIRATION DATE.**

## **Brokerage Commissions and Solicitation Fees**

Bondholders will not be obligated to pay any brokerage commissions or solicitation fees to the District, the Dealer Manager, or the Information Agent and Tender Agent in connection with this Invitation, Offers or consummation of accepted Offers. However, Bondholders should confer with their broker, account executive, financial advisor, attorney, and/or other appropriate professional ("**Financial Representative**") which maintains the account in which their Target Bonds are held to determine whether it will charge any commissions or fees.

## **Unpurchased Bonds**

Unpurchased Bonds will continue to be outstanding, and payable and secured, pursuant to their terms. Unpurchased Bonds that are offered but not purchased by the District will be returned to the respective Holders of such offered Target Bonds. Holders of Unpurchased Bonds will continue to bear the risk of ownership of such Unpurchased Bonds.

**For information concerning the District, see the Preliminary Official Statement for the 2024 Bonds (the "2024 Bonds Preliminary Official Statement") attached hereto as Appendix A. Bondholders must read the entirety of this Invitation, including Appendix A, in order to make an informed decision.**

The District may in the future redeem, refund (on an advance or current basis), or defease, all or any portion of the Unpurchased Bonds or may in the future invite Holders to tender such Target Bonds for purchase by the District. See “ADDITIONAL CONSIDERATIONS.”

### **Dealer Manager, Information Agent and Tender Agent**

Barclays Capital Inc. is the Dealer Manager for this Invitation. Investors with questions about this Invitation should contact the Dealer Manager or Globic Advisors Inc., which serves as Information Agent and Tender Agent for this Invitation, at the addresses and telephone numbers set forth on the page preceding Appendix A. See “DEALER MANAGER” and “INFORMATION AGENT AND TENDER AGENT” herein.

## **TERMS OF THIS INVITATION**

### **Expiration Date**

The District’s invitation to submit Offers will expire at 5:00 p.m., Eastern time, on the Expiration Date. Holders tendering Target Bonds must follow the procedures more specifically described herein. Target Bonds offered after 5:00 p.m., Eastern time, on the Expiration Date will not be accepted by the District for Purchase.

In the sole discretion of the District, the District may extend the Expiration Date, the Preliminary Acceptance Date, the Final Acceptance Date (each as defined herein) or the Settlement Date, or cancel, amend, or otherwise modify or waive any conditions of this Invitation. See “– Extension, Cancellation and Amendment; Changes to Terms.”

### **Offers Only Through the District’s DTC ATOP Account**

The Target Bonds are all held in book-entry-only form through the facilities of The Depository Trust Company (“DTC”) and banks, brokers, and other institutions that are participants in DTC. The District, through the Information Agent and Tender Agent, will establish an Automated Tender Offer Program (“ATOP”) account (the “DTC ATOP account”) at DTC for the Target Bonds to which this Invitation relates promptly after the date of this Invitation.

***All Offers must be made through the District’s ATOP account. The District will not accept any Offers that are not made through the DTC ATOP account. As a result, Holders who are not DTC participants can only make Offers through the financial institution that maintains the DTC account in which their Target Bonds are held.*** **LETTERS OF TRANSMITTAL ARE NOT BEING USED IN CONNECTION WITH THIS INVITATION.**

Any financial institution that is a participant in DTC may make a book-entry tender of the Target Bonds by causing DTC to transfer such Target Bonds into the DTC ATOP account relating to this Invitation and the applicable maturity and CUSIP number in accordance with DTC’s procedures for such transfer. Bondholders who are not DTC participants can only tender Target Bonds pursuant to this Tender Offer by making arrangements with and instructing their Financial Representative to tender the Bondholder’s Target Bonds through the DTC ATOP account. To ensure a Bondholder’s Target Bonds are tendered to the DTC ATOP account by 5:00 p.m., Eastern time, on the Expiration Date, the Bondholder must provide instructions to the Bondholder’s Financial Representative in sufficient time for the Financial Representative to tender the Target Bonds to the DTC ATOP account by this deadline. A Bondholder should contact its Financial Representative for information as to when the Financial Representative needs the Bondholder’s instructions in order to tender the Bondholder’s Target Bonds to the DTC ATOP account by 5:00 p.m., Eastern time, on the Expiration Date.

**THE DISTRICT, THE DEALER MANAGER, AND THE INFORMATION AGENT AND TENDER AGENT ARE NOT RESPONSIBLE FOR THE TRANSFER OF ANY TENDERED TARGET BONDS TO THE DTC ATOP ACCOUNT OR FOR ANY MISTAKES, ERRORS, OR OMISSIONS IN THE TRANSFER OF ANY TENDERED TARGET BONDS.**

## **Information to Bondholders**

The District may give information about this Invitation to the market and Bondholders by delivery of the information to the Municipal Securities Rulemaking District through its Electronic Municipal Market Access system (“EMMA”) and DTC (collectively referred to herein, together with EMMA and the Information Agent and Tender Agent, as the “**Information Services.**”). Additionally, the District may give information about this Invitation to the Information Agent and Tender Agent. The Information Agent and Tender Agent will deliver information provided to it by the District through its website, <https://www.globic.com/MWRD>. Delivery of information by or on behalf of the District to the Information Services will be deemed to constitute delivery of this information to each Bondholder.

**The District, the Dealer Manager, and the Information Agent and Tender Agent have no obligation to ensure that a Bondholder actually receives any information given to the Information Services.**

Bondholders who would like to receive information transmitted by or on behalf of the District to the Information Services may receive such information from the Dealer Manager or the Information Agent and Tender Agent by contacting them using the contact information under the heading “MISCELLANEOUS” herein.

Any updates to this Tender Offer, including, without limitation any supplements to the 2024 Bonds Preliminary Official Statement, will be distributed through the Information Services. The final Official Statement with respect to the 2024 Bonds (which will set forth the maturities, principal amounts, and interest rates on the 2024 Bonds) will be posted to EMMA on or subsequent to the Acceptance Date and prior to the Settlement Date. This Invitation does not constitute an offer to purchase, or a solicitation of an offer to buy, any 2024 Bonds.

## **Authorized Denominations**

A Bondholder may submit one or more Offers to sell Target Bonds of a CUSIP number that it owns in an amount of its choosing, not to exceed the principal amount of such Target Bonds owned by the Bondholder, but in a principal amount equal to \$5,000 or any integral multiple thereof (“**Authorized Denominations**”).

## **Accrued Interest**

In addition to the Purchase Prices of the Target Bonds purchased by the District pursuant to this Invitation, Accrued Interest on such Target Bonds from the last payment of interest thereon to but not including the Settlement Date will be paid by, or on behalf of, the District to the tendering Bondholders on the Settlement Date. The payment of Accrued Interest on Target Bonds validly tendered and accepted for purchase is expected to be funded from net proceeds of the District’s 2024 Bonds, which are intended to be issued on the Settlement Date.

## **Provisions Applicable to All Offers**

***Need for Advice.*** A Bondholder should ask its Financial Representative for help in determining: (a) whether to offer Target Bonds for purchase, (b) the principal amount of Target Bonds to be offered for purchase, and (c) the Offer Spread at or below that which such Target Bonds are offered to be sold to the District. The District, the Dealer Manager, and the Information Agent and Tender Agent will not charge any Bondholder for submitting Offers or tendering Target Bonds.

***Need for Specificity of Offer.*** No Offer of Target Bonds of a CUSIP number may exceed the principal amount of Target Bonds of such CUSIP number owned by the Bondholder and must include (a) the CUSIP number(s) of the Target Bonds being offered and (b) the principal amount of the Target Bonds being offered for purchase (such principal amount must be stated in Authorized Denominations and if not so stated, for Offers to sell less than all of the Bondholder’s position in the Target Bonds, such principal amount will be reduced to the greatest integral multiple of \$5,000). Any Bondholder located outside of the United States should check with its Financial Representative to determine if there are any additional minimal increments, alternative settlement timing or other limitations. See “–Offers of Target Bonds at an Offer Spread” for additional information.

No “all or none,” alternative, conditional, or contingent Offers will be accepted.

**ALL OFFERS FOR PURCHASE MUST BE MADE THROUGH THE DTC ATOP ACCOUNT. THE DISTRICT WILL NOT ACCEPT ANY OFFERS FOR PURCHASE THAT ARE NOT MADE THROUGH THE DTC ATOP ACCOUNT. LETTERS OF TRANSMITTAL ARE NOT BEING USED IN CONNECTION WITH THIS TENDER OFFER.** See “TERMS OF THIS INVITATION– Tender of Target Bonds through Financial Institutions; DTC ATOP Account” herein.

*General.* By offering to sell Target Bonds pursuant to this Invitation, a Bondholder represents and agrees with the District as set forth under “– Representations by Tendering Bondholders to the District.” All Offers shall survive the death or incapacity of the tendering Bondholder.

Bondholders who would like to receive information furnished by the District to the Information Services can review EMMA or the website of the Information Agent and Tender Agent at <https://www.globic.com/MWRD>, or otherwise must make appropriate arrangements with their Financial Representatives or the Information Agent and Tender Agent.

### **Offers of Target Bonds at an Offer Spread**

A Bondholder may make an Offer to sell Target Bonds of a CUSIP number at an Offer Spread of its choosing, to be added to the relevant Adjusted Treasury Yield (determined as described under “– Adjusted Treasury Yields” and “– Determination of Purchase Spread”) that will be used in establishing the Purchase Price for the Target Bonds.

Offers for Target Bonds must be based upon Offer Spreads in increments of 0.1 basis points. DTC’s ATOP Account is only able to accept Offers within a range of (i) the maximum possible Offer Spread of 250.0 basis points and (ii) a minimum Offer Spread of 0.1 basis points. An Offer Spread must be expressed as a number of basis points and contain no more than one number to the right of the decimal point. Any Offer Spread containing more than one number to the right of the decimal point will be truncated to one number, without rounding.

For a description of how the Purchase Spread will be determined and how the Purchase Price for the Target Bonds of a CUSIP number will be determined based on the Purchase Spread, see “– Determination of Purchase Spread.”

A Bondholder may make Offers to sell portions (in Authorized Denominations) of Target Bonds of a CUSIP number at more than one Offer Spread or without an Offer Spread so long as all such Offers in aggregate do not exceed the principal amount of such Target Bonds owned by that Bondholder. Offers at differing Offer Spreads or without an Offer Spread as a Non-Competitive Offer (as defined below) for Target Bonds of a CUSIP number must each be submitted separately.

### **Non-Competitive Offers without an Offer Spread**

A Bondholder may also make an offer to sell all or a portion of their Target Bonds of a particular CUSIP number in a par amount of Authorized Denominations by offering these Target Bonds without specifying an Offer Spread (a “**Non-Competitive Offer**”) or a portion of their Target Bonds of a particular CUSIP number as a Non-Competitive Offer and a portion or portions with Offer Spreads as described in the prior section.

For a description of how the Purchase Spread will be determined and how the Purchase Price for the Target Bonds of a CUSIP number will be determined based on the Purchase Spread, see “– Determination of Purchase Spread.” If a particular CUSIP number does not receive any Offers with an Offer Spread, then the District may determine a Purchase Spread for any Non-Competitive Offers received for such CUSIP number which is no greater than the Offer Spread Guidance for the particular CUSIP number as indicated on the inside cover page hereof. In no event will a Purchase Spread for Target Bonds in which the District has received a Non-Competitive Offer and at least one Offer with an Offer Spread for the CUSIP number exceed the Offer Spread Guidance by more than 25 basis points.

## Adjusted Treasury Yields

To accommodate Holders who choose to submit Offers at Offer Spreads of 0.0 bps or less for certain maturities of the Target Bonds that would result in such Target Bonds being effectively offered below the yield of the relevant Benchmark Treasury Security, the District is accepting offers based on an adjustment to the yield of the relevant Benchmark Treasury Security, which for any maturity and corresponding CUSIP for the Target Bonds equals the yield on the related Benchmark Treasury Security, as shown on the inside cover hereof, less a fixed spread (the “Adjusted Treasury Yield”). For Target Bonds whose Purchase Prices will be based on the 2-Year Benchmark Treasury Security, the Adjusted Treasury Yield will be 100 basis points less than the yield on the relevant Benchmark Treasury Security, as shown on the inside cover hereof. For all other Target Bonds, the Adjusted Treasury Yield will equal the yield on the relevant Benchmark Treasury Security, as similarly shown on such inside cover page.

The table below illustrates examples of how a Bondholder, whose Purchase Price will be based on the relevant Benchmark Treasury Security, should express its Offer Spread to reflect the desired/intended offer yield and the yield adjustment of -100 basis points for all Target Bonds (maturities from 2025 to 2041) that will be applied to the Offer Spread as delivered to the District:

<b><u>Benchmark Treasury Security</u></b>	<b><u>Holder Desired/Intended Offer Yield</u></b>	<b><u>Yield Adjustment To Benchmark Treasury Yield</u></b>	<b><u>Resulting Offer Spread Submitted to the District Resulting in the Holder’s Desired/Intended Offer Yield</u></b>
2-Year	Benchmark - 50 bps	-100 bps	+50 bps
2-Year	Benchmark - 20 bps	-100 bps	+80 bps
2-Year	Benchmark + 0 bps	-100 bps	+100 bps
2-Year	Benchmark + 20 bps	-100 bps	+120 bps
2-Year	Benchmark + 50 bps	-100 bps	+150 bps

## Representations by Tendering Bondholders to the District

By offering to sell and tender Target Bonds for purchase pursuant to this Invitation, each tendering Bondholder represents to and agrees with the District that:

(a) the Bondholder has received this Invitation and has had the opportunity to review this Invitation, in its entirety, including the 2024 Bonds Preliminary Official Statement, attached hereto as Appendix A, prior to making its decision to submit an Offer to tender Target Bonds, and agrees if its Offer is accepted by the District with respect to any Target Bonds, it will be obligated to sell such Target Bonds on the terms and conditions set forth in this Invitation, and if the purchase of any tendered Target Bonds is consummated, the purchase of such Target Bonds shall be on the terms and conditions set forth in this Invitation;

(b) the Bondholder has full power and authority to offer to tender, sell, assign, and transfer the tendered Target Bonds; and if its Offer is accepted by the District with respect to any Target Bonds, on the Settlement Date, the District will acquire good, marketable, and unencumbered title thereto, free and clear of all liens, charges, encumbrances, conditional sales agreements, or other obligations and not subject to any adverse claims, subject to payment to the Bondholder of the Purchase Price for such Target Bonds plus Accrued Interest;

(c) the Bondholder has made its own independent decision to offer and tender its Target Bonds for purchase pursuant to this Invitation, and as to the terms thereof, and such decision is based upon the Bondholder’s own judgment and upon advice from such advisors with whom the Bondholder has determined to consult;

(d) the Bondholder is not relying on any communication from the District, the Dealer Manager, or the Information Agent and Tender Agent as investment advice or as a recommendation to offer and tender the Bondholder’s Target Bonds, it being understood that the information from the District, the Dealer Manager, and the Information Agent and Tender Agent related to the terms and conditions of this Invitation made pursuant to this Invitation shall not be considered investment advice or a recommendation to offer and tender Target Bonds; and

(e) the Bondholder is capable of assessing the merits of and understanding (on its own and/or through independent professional advice), and does understand, agree, and accept, the terms and conditions of this Invitation and the Bondholder's Offer.

### **Tender of Target Bonds Through Financial Institutions; DTC ATOP Account**

The District, through the Information Agent and Tender Agent, will establish the DTC ATOP account for purposes of this Invitation within three Business Days (as defined below) after the date of this Invitation. Offers to sell Target Bonds in accordance with this Invitation may be made to the District only through the DTC ATOP account. Any financial institution that is a participant in DTC may make a book-entry Offer of the Target Bonds by causing DTC to transfer the applicable Target Bonds into the DTC ATOP account in accordance with DTC's procedures. Concurrently with the delivery of Target Bonds through book-entry transfer into the DTC ATOP account, an Agent's Message (defined below) in connection with such book-entry transfer must be transmitted to and received at the DTC ATOP account by not later than 5:00 p.m., Eastern time, on the Expiration Date (as this date may have been changed pursuant to this Invitation).

The confirmation of a book-entry transfer into the DTC ATOP account as described above is referred to herein as a "**Book-Entry Confirmation.**" The term "**Agent's Message**" means a message transmitted by DTC to, and received by, the DTC participant and forming a part of the Book-Entry Confirmation which states that DTC has received an express acknowledgment from the DTC participant tendering the Target Bonds that are the subject of such Book-Entry Confirmation, and stating (a) the CUSIP number, series, principal amount of the Target Bonds that have been offered by such participant pursuant to this Invitation, and offered based on an Offer Spread (in the case of a competitive offer), and (b) that such participant on behalf of the related Holder agrees to be bound by the terms of this Invitation. For operational purposes related to the DTC ATOP account only (and not indicative of any spread guidance from the District or any other party related to this Invitation), the DTC ATOP account will be calibrated to accept Offers for Target Bonds based upon Offer Spreads in increments of 0.1 basis points with DTC's ATOP system able to accept Offers submitted within a range with the maximum possible Offer Spread of 250.0 basis points and with a minimum Offer Spread of 0.1 basis points in increments of 0.1 basis points.

Target Bonds delivered into DTC's ATOP account must be in an amount expressed as the principal amount of such Target Bonds of the Bondholder's choosing (in Authorized Denominations). An Offer Spread for the Target Bonds must be expressed as a number of basis points and contain no more than one number to the right of the decimal point. Any Offer Spread for the Target Bonds containing more than one number to the right of the decimal point will be truncated to one number, without rounding.

In order to ensure accurate receipt of each Bondholder's intended Offer Spread, and any subsequent dissemination of funds, participants in DTC must submit an individual "voluntary offering instruction" for each Bondholder wishing to submit one or more Offers. Should a Bondholder offer Target Bonds at a variety of Offer Spreads, a unique voluntary offering instruction for each Offer Spread, as applicable, must be submitted. The date and the time of submission of Target Bonds for purchase will be determined by the date and time at which Target Bonds are submitted into DTC'S ATOP account.

"**Business Day**" means a DTC business day, which is any day other than (a) a Saturday or a Sunday, or (b) a day on which the offices of the District or banking institutions in New York, New York, are required or authorized by law to be closed.

**THE DISTRICT, THE DEALER MANAGER, AND THE INFORMATION AGENT AND TENDER AGENT ARE NOT RESPONSIBLE FOR THE TRANSFER OF ANY TENDERED TARGET BONDS TO THE DISTRICT'S ATOP ACCOUNT OR FOR ANY MISTAKES, ERRORS, OR OMISSIONS IN THE TRANSFER OF ANY TENDERED TARGET BONDS.**

## **Determinations as to Form and Validity of Offers; Right of Waiver**

All questions as to the validity (including the time of receipt at the DTC ATOP account), form, eligibility, and acceptance of Offers will be determined by the District in its sole discretion, and will be final, conclusive, and binding on the Holders.

The District reserves the right to waive any irregularities or defects in any Offer. The District, the Dealer Manager and the Information Agent and Tender Agent are not obligated to give notice to the Holders of any defects or irregularities in Offers, and they will have no liability for failing to give such notice.

The District reserves the absolute right to reject any and all Offers, whether or not they comply with the terms of this Invitation.

## **Amendments and Withdrawals of Offers Prior to Expiration Date**

A Holder may amend its Offer by causing a withdrawal message for the Offer to be received at the DTC ATOP account with a new Offer for the same Target Bonds to be submitted to the DTC ATOP account by not later than 5:00 p.m., Eastern time, on the Expiration Date.

A Holder may withdraw its Offer by causing a withdrawal notice to be received at the DTC ATOP account by not later than 5:00 p.m., Eastern time, on the Expiration Date.

Any amendment or withdrawal must be submitted in substantially the same manner as an Offer in response to this Invitation. *All amendments or withdrawal notices must be made through the DTC ATOP account. The District will not accept any amendments or withdrawals that are not made through the DTC ATOP account.* Holders who are not DTC participants can only amend or withdraw their Offer by making arrangements with and instructing their DTC participant to submit the Holder's amended Offer or the Holder's notice of withdrawal through the DTC ATOP account.

**Bondholders who have tendered their Target Bonds for purchase will not receive any information from the District, the Dealer Manager, or the Information Agent and Tender Agent concerning Offers by other Bondholders. Offering Bondholders will not be afforded an opportunity to amend their offers after 5:00 p.m. on the Expiration Date. An amended or withdrawn offer must specify the applicable CUSIP number, and with respect to amended offers, the principal amount previously offered and the new amount being offered. All questions as to the validity (including the time of receipt) of an amendment or withdrawal will be determined by the District in its sole discretion and will be final, conclusive, and binding.**

## **Irrevocability of Offers; Return of Target Bonds Not Purchased**

All Offers will become irrevocable at 5:00 p.m., Eastern time, on the Expiration Date, subject to change as set forth in “– Extension, Cancellation and Amendment; Changes to Terms.”

The District does not have the option to use a “Second Look.” Bondholders will not have the ability to submit amended offers after the Expiration Date.

The District will instruct DTC to return to the offering institutions or Bondholders those Target Bonds that were offered but were not accepted for purchase. None of the District, the Dealer Manager, or the Information Agent and Tender Agent is responsible or liable for the return of Target Bonds to offering institutions or Bondholders or for when such Target Bonds are returned.

## **Determination of Amounts to be Purchased**

The District is not required to purchase any Target Bond offered. The District will determine which Target Bonds (and the corresponding CUSIP number), if any, it will purchase. The District therefore has the right to purchase none, some, or all of the offered Target Bonds of a particular CUSIP number and series, and may make different

decisions for Target Bonds of different CUSIP numbers and series. The District, in its sole discretion, will select which, if any, Target Bonds validly tendered of a particular maturity and corresponding CUSIP are purchased based on its determination of the economic benefit from such purchase.

In addition, for the Target Bond maturing on December 1, 2041 (CUSIP No. 167560WW7), the Purchased Amounts (as defined below), if any, shall be allocated against the scheduled sinking fund installments of the original principal amounts to be redeemed on each mandatory sinking fund redemption date or paid at maturity. The District is required by the terms of the Target Bonds to apply purchases of such Target Bonds to the unsatisfied balance of the next ensuing mandatory sinking fund redemption requirement(s) for such Target Bond. Such an application would result in the extension of the average life of the Unpurchased Bonds.

On December 9, 2024, unless such date is extended by the District (the “**Preliminary Acceptance Date**”), the District will determine the preliminary principal amount (if any) of the Target Bonds of each CUSIP number that it will purchase, based on the determination of the District of the economic benefit from such purchase, and the Purchase Spread for such Target Bonds (if any) that the District will purchase. Notice of the preliminary principal amount of the Target Bonds of a CUSIP number (if any) that the District will agree to purchase and the Purchase Spread for such Target Bonds (if any) will be provided to the Information Services on the Preliminary Acceptance Date. See “– Preliminary Notice of Acceptance.”

On December 11, 2024, unless such date is extended by the District (the “**Final Acceptance Date**”), the District will make a final determination of the principal amount of Target Bonds of each CUSIP number that it wishes to purchase (each such principal amount, a “**Purchased Amount**”) from among those Target Bonds of such CUSIP number that were initially accepted for purchase pursuant to the Preliminary Notice of Acceptance (defined herein), and a final determination of the Purchase Spread for such Target Bonds. No change will be made to the Purchase Spread of any Target Bonds accepted for purchase pursuant to this final determination. The District shall be under no obligation to purchase any Target Bond initially accepted on the Preliminary Acceptance Date. The District will determine the amount, if any, of Target Bonds of each CUSIP number that it purchases as specified on the Final Acceptance Date based on its determination of the economic benefit from such purchase. The final determination whether to purchase Target Bonds that were initially accepted for purchase, and, if less than all of the Target Bonds that were initially accepted for purchase are finally accepted for purchase, the reduction of the amounts of Target Bonds that will be purchased, will be made in the order of priority described in “– Priority of Purchases” herein. Notice of the final Purchased Amount for each CUSIP number, the Principal Amount of all Target Bonds of each CUSIP number (if any) to be purchased, each Purchase Spread (by CUSIP number) for the Target Bonds of each CUSIP number (if any) that the District will purchase, and if relevant, allocation of the final Purchased Amount to each sinking fund redemption requirement will be provided to the Information Services on the Final Acceptance Date. See “– Final Notice of Acceptance.”

For a description of how each Purchase Spread for the Target Bonds will be determined, see “– Determination of Purchase Spread.” For information on the order of priority in which accepted Offers will be accepted, see “– Priority of Purchases.”

### **Determination of Purchase Spread**

Should the District determine to purchase any Target Bonds, there will be a single Purchase Spread per CUSIP number on which the Purchase Price for each CUSIP number will be based, expressed as a number of basis points and containing no more than one number to the right of the decimal point, determined as described in this section for the Target Bonds of such CUSIP number that the District decides to purchase. The District will determine each Purchase Spread (by CUSIP number) for the Target Bonds that the District decides to purchase by a “**Modified Dutch Auction Procedure**” described in the following paragraphs. The Purchase Spread for a particular CUSIP number may differ from the Purchase Spread for any other CUSIP number.

Under the procedure, if the District elects to purchase Target Bonds of a CUSIP number, the District will determine the Purchase Spread upon which the Purchase Price for the Target Bonds of each CUSIP number will be based. The District will provide preliminary notice of such Purchase Spread on the Preliminary Acceptance Date (see “– Determination of Amounts to be Purchased” and “– Preliminary Notice of Acceptance”).



The Purchase Spread for the Target Bonds of each CUSIP number does not have to be based on any Offer Spread received, but may be whatever spread the District decides. If a particular CUSIP number does not receive any Offers with an Offer Spread, then the District may determine a Purchase Spread for any Non-Competitive Offers received for such CUSIP number which will be no greater than the Offer Spread Guidance for the particular CUSIP number as indicated on the inside cover page hereof. In no event will a Purchase Spread for Target Bonds in which the District has received a Non-Competitive Offer and at least one Offer with an Offer Spread for the CUSIP number exceed the Offer Spread Guidance by more than 25 basis points. The Target Bonds validly offered at Offer Spreads equal to or greater than the Purchase Spread established by the District for the Target Bonds of each CUSIP number and accepted for purchase by the District will be purchased at the Purchase Price established based on that Purchase Spread established by the District, subject to “– Priority of Purchases.”

The Purchase Spread of each CUSIP number will represent the spread which will be added to the Adjusted Treasury Yield to arrive at a yield (the “**Purchase Yield**”) used to calculate the Purchase Price for the Target Bonds of each CUSIP number. The yield on the relevant Benchmark Treasury Security will be based on the bid-side price of the applicable U.S. Benchmark Treasury as quoted on the Bloomberg Bond Trader FIT series of pages at approximately 10:00 a.m., Eastern time, on December 10, 2024. Each Benchmark Treasury Security will be the most recently auctioned “on-the-run” United States Treasury Security for the maturity indicated as of date and time that each Target Bond’s Purchase Price is set, currently expected to be December 10, 2024.

### **Determination of Purchase Price**

The Purchase Price for the Target Bonds of each CUSIP number will be calculated using the market standard bond pricing formula as of the Settlement Date using the applicable Purchase Yield and the maturity date of such Target Bonds, except that for the Target Bond maturing on December 1, 2041 (CUSIP No. 167560WW7), the average life date of November 2, 2039 will be used as the assumed maturity date. The total dollar amount to be received by a Bondholder will equal the product of the Purchase Price expressed as a dollar amount per \$100 principal amount of Target Bonds, and the par amount of such Bondholder’s Target Bonds validly tendered and accepted for purchase divided by 100, plus Accrued Interest on such Target Bonds to but not including the Settlement Date. The District will provide notice of the Purchase Spread and the Purchase Price for the Target Bonds of each CUSIP number on the Final Acceptance Date (see “– Determination of Amounts to be Purchased” and “– Final Notice of Acceptance”).

### **Sinking Fund Amortization of Certain Unpurchased Bonds**

The Target Bond maturing in 2041 is subject to mandatory sinking fund redemption in specified annual principal amounts prior to its maturity date. If less than all of the outstanding principal amount of the Target Bond maturing in 2041 is purchased by the District pursuant to this Invitation, the original principal amounts to be redeemed on each mandatory sinking fund redemption date or paid at maturity of such Target Bond are subject to reduction. The District is required by the terms of the Target Bonds to apply purchases of such Target Bonds to the unsatisfied balance of the next ensuing mandatory sinking fund redemption requirement(s) for such Target Bond. As such, those Unpurchased Bonds will continue to be subject to mandatory sinking fund redemption in annual amounts that will be shifted towards the later years of the original mandatory sinking fund redemption schedule, resulting in the extension of the average life of such Unpurchased Bonds.

### **Priority of Purchases**

Offers to sell Target Bonds of a CUSIP number pursuant to this Invitation that are accepted by the District, if any, will be accepted in the following order of priority, such that the aggregate principal amount of Target Bonds of such CUSIP number accepted for purchase does not exceed the Purchased Amount of Target Bonds of such CUSIP number:

- The first Target Bonds to be accepted for purchase will be Target Bonds offered without Offer Spreads (i.e., Non-Competitive Offers).
- The second Target Bonds to be accepted for purchase will be Target Bonds offered at Offer Spreads greater than the applicable Purchase Spread.

- The third Target Bonds to be accepted for purchase will be Target Bonds offered at Offer Spreads equal to the applicable Purchase Spread.

If fewer than all such tendered Target Bonds are accepted for purchase, offers will be accepted on a pro rata basis reflecting the ratio of (a) the Purchased Amount less Target Bonds accepted pursuant to the above bullets divided by (b) the total principal amount of offers at the applicable Purchase Spread. If, as a result of any pro rata acceptance, the District would be required to return a principal amount of Target Bonds of a CUSIP number that is not equal to an Authorized Denomination, the District will, in such manner as it determines in its sole discretion, round up or down the principal amount of Target Bonds of such CUSIP number to be accepted from such affected Bondholder so that the principal amount of its Target Bonds returned will be equal to an Authorized Denomination. All such determinations and allocations will be final and binding.

If the 2024 Bonds are not successfully sold as described herein, no Target Bonds will be purchased and all Target Bonds will be returned to the respective Holders that offered such Target Bonds and such Target Bonds will remain outstanding (see “INTRODUCTION – General” herein).

### **Preliminary Notice of Acceptance**

On the Preliminary Acceptance Date, the District will determine by CUSIP number the preliminary aggregate principal amount (if any) of each Target Bond that it will purchase at the applicable Purchase Spread, based on its determination of the economic benefit from such purchases. Notice of the preliminary principal amounts of Target Bonds of each CUSIP number to be purchased will be provided to the Information Services on the Preliminary Acceptance Date (the “**Preliminary Notice of Acceptance**”). This notification will state the preliminary aggregate principal amount of the Target Bonds of each CUSIP number that the District will agree to purchase in accordance with this Invitation, which may be zero, and each Purchase Spread for the Target Bonds (if any) that the District will purchase.

### **Notice of Purchase Prices**

On the day that the yields on the Benchmark Treasury Securities and the Purchase Prices are determined, currently expected to be December 10, 2024, the District will provide notice of such yields and the resulting Purchase Yields and Purchase Prices for the Target Bonds indicated in the Preliminary Notice of Acceptance to the Information Services (the “**Notice of Purchase Prices**”).

### **Final Notice of Acceptance**

All Offers will become irrevocable as of 5:00 p.m., Eastern time, on the Expiration Date, subject to change as set forth in “– Extension, Cancellation and Amendment; Changes to Terms.”

On the Final Acceptance Date, the District will make a final determination of the Purchased Amount of Target Bonds of each CUSIP number that it wishes to purchase and, if relevant, allocation of the final Purchased Amount to each sinking fund redemption requirement of the Target Bonds. Notice of the final Purchased Amount of each CUSIP number and the aggregate principal amount of all Target Bonds to be purchased will be provided to the Information Services on the Final Acceptance Date (the “**Final Notice of Acceptance**”). This notification will state the Purchased Amount of the Target Bonds of each CUSIP number that the District has agreed to purchase, which may be zero, and the Purchase Spread and Purchase Price for the Target Bonds of each CUSIP number (if any) that the District will purchase.

If, as of the Final Acceptance Date, the District accepts any Offer, the accepted Offer will constitute an irrevocable agreement by the offering Bondholder to sell and the District to purchase such Target Bonds, subject to satisfaction or waiver of all conditions to the District’s obligation to purchase tendered Target Bonds. Notwithstanding the prior sentence, the District may cancel this Invitation in its sole discretion at any time prior to the Settlement Date if any of the Financing Conditions shall not have been satisfied. The District will have no obligation to purchase Target Bonds if this Invitation is canceled. See “– Extension, Cancellation and Amendment; Changes to Terms.”

## **Settlement Date; Purchase of Target Bonds**

Subject to satisfaction of all conditions to the District's obligation to purchase Target Bonds offered and accepted for purchase pursuant to this Invitation, as described herein, including, without limitation, the Financing Conditions, on the Settlement Date, the District will purchase and pay for all Target Bonds validly tendered for sale to the District pursuant to accepted Offers, at the applicable Purchase Price, plus Accrued Interest and the tendering Bondholders will sell such Target Bonds to the District for such consideration.

If the conditions to the District's obligation to purchase Target Bonds are satisfied or waived, the District will pay the Aggregate Purchase Price, plus Accrued Interest, in immediately available funds on the Settlement Date by deposit of such amount with DTC. The District expects that, in accordance with DTC's standard procedures, DTC will transmit amounts sufficient to purchase the tendered Target Bonds at the Purchase Price in immediately available funds to its participant financial institutions that hold such tendered Target Bonds for delivery to the Bondholders. **None of the District, the Dealer Manager or the Information Agent and Tender Agent has any responsibility or liability for the distribution of such amounts by DTC or its participant financial institutions to Bondholders.**

## **Extension, Cancellation and Amendment; Changes to Terms**

The District may extend this Invitation by notice given to the Information Services at any time but no later than the first Business Day following the previously scheduled Expiration Date, or any prior extension thereof. Notice of an extension of the Expiration Date will be effective when such notice is given.

The District may extend the Preliminary Acceptance Date, the Final Acceptance Date, and/or the Settlement Date by notice given to the Information Services at any time but no later than the first Business Day following the previously scheduled Preliminary Acceptance Date, Final Acceptance Date, and/or Settlement Date, as applicable, or any prior extension thereof. Notice of an extension of the Preliminary Acceptance Date, the Final Acceptance Date, and/or the Settlement Date will be effective when such notice is given.

The District may amend, waive the terms of, or otherwise modify this Invitation at any time on or prior to the Expiration Date, by giving notice to the Information Services of such amendment, waiver, or other modification. The amendment, waiver, or modification will be effective at the time specified in such notice.

The District may, at any time prior to the Settlement Date, cancel this Invitation in its sole discretion if any of the Financing Conditions shall not have been satisfied by giving notice to the Information Services of such cancellation. The District will have no obligation to purchase Target Bonds if cancellation of this Invitation occurs or if the District fails to accept Offers.

If the District amends, modifies, or waives any of the terms or conditions of this Invitation in any respect, the District may (but is not required to) disseminate additional Invitation materials and extend this Invitation to the extent required to allow, in the District's judgment, reasonable time for dissemination to Holders and for Holders to respond.

No extension or amendment or other modification or waiver of the terms or conditions of this Invitation will change the District's right to decline to purchase Target Bonds without liability on the terms and conditions stated herein or give rise to any liability of the District or the Information Agent and Tender Agent to any Holder or nominee.

## **ADDITIONAL CONSIDERATIONS**

In deciding whether to submit an Offer in response to this Invitation, each Bondholder should consider carefully, in addition to the other information contained in this Invitation, the following:

**Unpurchased Bonds.** Holders of Unpurchased Bonds will continue to hold such Unpurchased Bonds and such Unpurchased Bonds will remain outstanding. If Target Bonds are purchased pursuant to this Invitation, the principal amount of Target Bonds for a particular maturity and corresponding CUSIP that remains outstanding will be reduced, which could adversely affect the liquidity and market value of the Target Bonds of that maturity and CUSIP

that remain outstanding. See “INTRODUCTION – Unpurchased Bonds” herein. The average life of those Unpurchased Bonds that are term bonds subject to annual sinking fund redemption will be extended. See “TERMS OF THIS INVITATION – Sinking Fund Amortization of Certain Unpurchased Bonds” herein.

**Future Refunding or Tender.** The District may in the future refund (on an advance or current basis), or defease, all or any portion of the Unpurchased Bonds or may invite Holders to tender such Target Bonds for purchase by the District. Accordingly, it is possible that such Target Bonds would be redeemed or purchased at a more or less advantageous price than will be available through this Invitation sometime in the future as part of another transaction.

**Market for Target Bonds.** The Target Bonds are not listed on any national or regional securities exchange. To the extent that the Target Bonds are traded, their prices may fluctuate greatly depending on the trading volume and the balance between buy and sell orders. Bondholders may be able to sell Target Bonds at a price greater than the Purchase Price(s).

**Ratings.** As of the date of this Invitation, the Target Bonds are rated “AAA” by Fitch Ratings Inc. and “AA+” S&P Global Ratings, Inc. The ratings of the Target Bonds by each rating agency reflect only the views of such organization and any desired explanation of the significance of such ratings and any outlooks or other statements given by such rating agency with respect thereto should be obtained from such rating agency.

There is no assurance that the current ratings assigned to the Target Bonds will continue for any given period of time or that any of such ratings will not be revised upward or downward, suspended, or withdrawn entirely by any rating agency. Any such upward or downward revision, suspension, or withdrawal of such ratings may have an effect on the availability of a market for or the market price of the Target Bonds. Each Bondholder should review these ratings and consult with its Financial Representatives concerning them.

**Market Conditions for the 2024 Bonds.** The purpose of the sale of the 2024 Bonds associated with this Invitation is to produce cash flow and present value debt service savings. Thus, the final decision to purchase Target Bonds, and, if less than all of the Target Bonds that are tendered are purchased, which Target Bonds will be accepted for purchase by the District will be based upon market conditions associated with the sale of the 2024 Bonds and other factors outside of the control of the District.

**Financing Timetable.** There is currently an approximately three Business Day period between the Expiration Date and the date on which the District will determine the Target Bonds that it will accept for purchase, as required by the timetable for the marketing and sale of the 2024 Bonds. Bondholders that tender their Target Bonds will not be able to sell or otherwise dispose of their Target Bonds so tendered during this time period, even if their Target Bonds are not initially or ultimately accepted for purchase by the District.

**Certain Potential Effects of this Invitation on Target Bonds Not Purchased pursuant to this Invitation.** The purchase of Target Bonds by the District may have certain potential adverse effects on owners of Unpurchased Bonds, including that the principal amount of the Unpurchased Bonds available to trade publicly will be reduced, which could adversely affect the liquidity and market value of the Unpurchased Bonds. The Unpurchased Bonds may command lower prices than comparable issues with greater market liquidity. Reduced liquidity and reduced market values may also make the trading prices of the Unpurchased Bonds more volatile. As a result, the market prices for the Target Bonds that remain outstanding after the purchase of any Target Bonds by the District in accordance with this Invitation may be adversely affected.

## SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES

### General Matters

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Target Bonds that tender their Target Bonds for cash. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective tendering Bondowners should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the

U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address U.S. tax consequences applicable to any given Bondowner, nor does it address the U.S. tax considerations applicable to all categories of Bondowners, some of which may be subject to special taxing rules (regardless of whether or not such Bondowners constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates, and trusts, Bondowners that hold their Target Bonds as part of a hedge, straddle, or an integrated or conversion transaction, or Bondowners whose “functional currency” is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address: (a) alternative minimum tax consequences, (b) the net investment income tax imposed under Section 1411 of the Internal Revenue Code of 1986 (the “Code”), or (c) the indirect effects on persons who hold equity interests in a Bondowner. This summary also does not consider the tax consequences of a tender of the Target Bonds under state, local, or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to Bondowners who hold their Target Bonds as “capital assets” within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any Bondowner of the Target Bonds other than U.S. Holders.

As used herein, “**U.S. Holder**” means a Bondowner of a Target Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States **persons** (as defined in the Code) have the District to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Target Bonds, the tax treatment of a tender of Target Bonds to such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Target Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of a tender of the Target Bonds (including their status as U.S. Holders).

ANY FEDERAL INCOME TAX DISCUSSIONS IN THIS INVITATION ARE INCLUDED FOR GENERAL INFORMATION ONLY AND SHOULD NOT BE CONSTRUED AS A TAX OPINION NOR TAX ADVICE TO BONDOWNERS BY THE DISTRICT, THE DEALER MANAGER, THE INFORMATION AGENT AND TENDER AGENT, OR ANY OF THE DISTRICT’S ADVISORS OR AGENTS. SUCH DISCUSSIONS ALSO DO NOT PURPORT TO ADDRESS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO PARTICULAR BONDOWNERS (E.G., A FOREIGN PERSON, BANK, THRIFT INSTITUTION, PERSONAL HOLDING COMPANY, TAX EXEMPT ORGANIZATION, REGULATED INVESTMENT COMPANY, INSURANCE COMPANY, OR OTHER BROKER OR DEALER IN SECURITIES OR CURRENCIES). BONDOWNERS SHOULD NOT RELY ON SUCH DISCUSSIONS AND ARE URGED TO CONSULT THEIR TAX ADVISORS TO DETERMINE THE PARTICULAR FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF SALES MADE BY THEM PURSUANT TO TENDERS OF TARGET BONDS, INCLUDING THE EFFECT OF POSSIBLE CHANGES IN THE TAX LAWS. IN ADDITION TO FEDERAL TAX CONSEQUENCES, THE SALE OF TARGET BONDS MAY BE TREATED AS A TAXABLE EVENT FOR STATE, LOCAL AND FOREIGN TAX PURPOSES. BONDOWNERS ARE URGED TO CONSULT THEIR TAX ADVISORS TO DETERMINE THE PARTICULAR STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF SALES MADE BY THEM PURSUANT TO TENDERS OF TARGET BONDS, INCLUDING THE EFFECT OF POSSIBLE CHANGES IN THE TAX LAWS.

### **Tendering U.S. Holders**

The purchase by the District for cash of a validly tendered Target Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a tendered Target Bond will recognize gain or loss equal to the difference between (a) the amount of cash received (except to the extent attributable to accrued but unpaid interest and original issue discount (“OID”), if any, accrued since the most recent compounding date on the Target Bond, which will be treated for federal income tax purposes as a coupon payment on the Target Bond) and (b) the U.S. Holder’s adjusted U.S. federal income tax basis in the Target Bond (generally, the purchase price paid by the U.S. Holder for the Target Bond, decreased by any amortized premium, and increased by the amount of any OID previously accrued by such U.S. Holder with respect to such Target Bond or otherwise required to be added to the

cost basis of the U.S. Holder in such Target Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Target Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Target Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

For a U.S. Holder who purchased a Target Bond in the secondary market at a discount from its stated redemption price at maturity (or at a discount from its original issue price plus OID accrued to the date of purchase in the case of a Target Bond originally issued with OID ("adjusted stated redemption price at maturity")) that is equal to or greater than 1/4th of 1 percent of such Target Bond's stated redemption price at maturity (or adjusted stated redemption price at maturity, if applicable) multiplied by the number of complete years from the date of purchase to the date of maturity (a "Market Discount Target Bond"), the gain on the sale or exchange of such Market Discount Target Bond will be treated as ordinary income (not capital gain) to the extent of the market discount which has not previously been included in income by a U.S. Holder at the time of such sale or exchange.

### **Backup Withholding**

Payments with respect to tenders of Target Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a tendering non-corporate U.S. Holder of a Target Bond may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Target Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Target Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. Holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **DEALER MANAGER**

The District has retained Barclays Capital Inc., as Dealer Manager for this Invitation. The District has agreed to pay to the Dealer Manager a fee for its services and to reimburse the Dealer Manager for its reasonable expenses relating to this Invitation. References in this Invitation to the Dealer Manager are to Barclays Capital Inc. only in its capacity as Dealer Manager. The compensation of the Dealer Manager is based upon the amount of Target Bonds accepted for purchase by the District.

The Dealer Manager may contact Bondholders regarding this Invitation and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Invitation to beneficial owners of the Target Bonds.

The Dealer Manager, together with its affiliates, comprises a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealer Manager and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the District for which it received or will receive fees and expenses. In the ordinary course of their various business activities, the Dealer Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the District, including the Target Bonds. Affiliates of the Dealer Manager may have holdings of Target Bonds that they are unable to disclose for legal or regulatory reasons.

In addition to its role as Dealer Manager for the Target Bonds, Barclays Capital Inc. is also serving as senior manager of the 2024 Bonds (“**Senior Manager**”), and, as such, it will receive compensation in connection with that transaction as well as for acting as Dealer Manager in connection with this Invitation.

Concurrently with the issuance of the 2024 Bonds, the District will also sell its General Obligation Limited Tax Capital Improvement Bonds, 2024 Series A, the General Obligation Unlimited Tax Capital Improvement Bonds, 2024 Series B, and the General Obligation Limited Tax Refunding Bonds, 2024 Series C.

The Dealer Manager is not acting as financial or municipal advisor to the District in connection with this Invitation.

### **INFORMATION AGENT AND TENDER AGENT**

The District has selected Globic Advisors Inc. to act as the Information Agent and Tender Agent in connection with this Invitation, and has authorized Barclays Capital Inc. to engage the Information Agent and Tender Agent to advise the District and the Dealer Manager as to such matters related to this Invitation. The District has agreed to pay the Information Agent and Tender Agent for its services and to reimburse it for its reasonable out-of-pocket costs and expenses related to this Invitation.

### **MISCELLANEOUS**

No one has been authorized by the District, the Dealer Manager, or the Information Agent and Tender Agent to recommend to any Holders whether to offer to sell Target Bonds in response to this Invitation or the amount of Target Bonds to offer or the price or spread, as applicable, at which they are offered, and none of the District, the Dealer Manager, or the Information Agent and Tender Agent makes any recommendation that any Bondholder offer to sell at any spread (or refrain from offering) all or any portion of such Holder’s Target Bonds. No one has been authorized by the District, the Dealer Manager, or the Information Agent and Tender Agent to give any information or to make any representation in connection with this Invitation other than those contained in this Invitation (inclusive of Appendix A hereto), and any such recommendation, information, and representations given or made cannot be relied upon as having been authorized by the District, the Dealer Manager, or the Information Agent and Tender Agent. Bondholders must make these decisions and should read this Invitation and consult with their Financial Representative in doing so.

#### ***The Information Agent and Tender Agent for this Invitation is:***

**Globic Advisors Inc.  
Attn: Robert Stevens  
485 Madison Ave, 7<sup>th</sup> Floor  
New York, New York 10022  
Phone: (212) 227-9622  
Email: rstevens@globic.com**

#### ***The Dealer Manager for this Invitation is:***

**Barclays Capital Inc.  
Attn: Municipal Syndicate Desk  
745 7th Avenue, 2<sup>nd</sup> Floor  
New York, New York 10019-6801  
Phone: (212) 528-1061  
Email: munisyndicate@barclays.com**

Dated: November 22, 2024

**APPENDIX A**

**2024 BONDS PRELIMINARY OFFICIAL STATEMENT**



**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 22, 2024**

NEW ISSUE—BOOK ENTRY ONLY

Fitch: “AAA” (Stable Outlook)  
Standard & Poor’s: “AA+” (Stable Outlook)  
(See “RATINGS” herein.)

*In the respective opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Bonds will not be includible in gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing “alternative minimum taxable income.” Interest on the Bonds is included in the adjusted financial statement income of those corporations subject to the alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes. See “TAX MATTERS” herein.*



**\$500,000,000\***  
**METROPOLITAN WATER RECLAMATION DISTRICT OF  
GREATER CHICAGO**

CONSISTING OF

**\$300,000,000\***  
**GENERAL OBLIGATION LIMITED TAX  
CAPITAL IMPROVEMENT BONDS,  
2024 SERIES A (GREEN BONDS)**

**\$48,000,000\***  
**GENERAL OBLIGATION LIMITED TAX  
REFUNDING BONDS,  
2024 SERIES C**

**\$25,000,000\***  
**GENERAL OBLIGATION UNLIMITED TAX  
CAPITAL IMPROVEMENT BONDS,  
2024 SERIES B (GREEN BONDS)**

**\$90,000,000\***  
**GENERAL OBLIGATION UNLIMITED TAX  
REFUNDING BONDS,  
2024 SERIES D**

**\$37,000,000\***  
**GENERAL OBLIGATION  
UNLIMITED TAX REFUNDING BONDS (ALTERNATE REVENUE SOURCE),  
2024 SERIES E**

**Dated: Date of Delivery**

**Due: December 1, as shown on the inside cover**

The Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois (the “District”) is issuing the following series of its Bonds: the General Obligation Limited Tax Capital Improvement Bonds, 2024 Series A (Green Bonds) (the “2024A Bonds”), the General Obligation Unlimited Tax Capital Improvement Bonds, 2024 Series B (Green Bonds) (the “2024B Bonds”), the General Obligation Limited Tax Refunding Bonds, 2024 Series C (the “2024C Bonds”), the General Obligation Unlimited Tax Refunding Bonds, 2024 Series D (the “2024D Bonds”), and the General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2024 Series E (the “2024E Bonds” and together with the 2024A Bonds, the 2024B Bonds, the 2024C Bonds, and the 2024D Bonds, the “Bonds”). The Bonds will be issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See “APPENDIX F — BOOK ENTRY SYSTEM” herein. Individual purchases will be made in book entry form only through the facilities of DTC. The Bonds are issuable in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers will not receive physical delivery of bond certificates. Principal and interest are payable by Zions Bancorporation, National Association, a national banking association, as the initial Bond Registrar and Paying Agent, to DTC, which will remit such principal and interest to DTC’s Participants for payment to the Beneficial Owners of the Bonds, as described herein. Interest on the Bonds will be payable on June 1, 2025, and semiannually thereafter on each June 1 and December 1. Certain of the Bonds are subject to optional redemption prior to maturity, as described herein. See “THE BONDS — Redemption of Bonds.”

Maturities, Principal Amounts, Interest Rates, Yields, Prices and CUSIP Numbers are set forth on the inside cover pages herein.

The Bonds are direct and general obligations of the District for the payment of which the full faith and credit of the District has been pledged. The 2024B Bonds, the 2024D Bonds, and the 2024E Bonds (the “Unlimited Tax Bonds”) are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount. The 2024A Bonds and the 2024C Bonds (the “Limited Tax Bonds”) are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate, but the amount of the taxes that may be extended to pay the Limited Tax Bonds is limited as provided by law. The 2024E Bonds are also “alternate bonds” issued in accordance with Section 15 of the Local Government Debt Reform Act. See “SECURITY FOR THE BONDS” herein.

The Bonds will be used to (i) pay for certain projects included in the District’s Capital Improvements Program, (ii) refund certain maturities of the District’s outstanding general obligation bonds, (iii) refund certain general obligation bonds that the District has accepted for purchase pursuant to the District’s invitation to voluntarily tender such bonds, as provided in the Invitation (as defined herein), (iv) pay capitalized interest on one or more series of the Bonds, and (v) pay for the costs of issuance of the Bonds. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

The District is designating the 2024A Bonds and the 2024B Bonds as “Green Bonds.” The District has received a Second Party Opinion from S&P Global Ratings, as described and included herein.

The Bonds are offered when, as and if issued by the District, and accepted by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the District by (i) its General Counsel and (ii) in connection with the preparation of this Official Statement, by its Co-Disclosure Counsel, Foley & Lardner LLP, Chicago, Illinois, and Holley & Pearson-Farrer LLP, Chicago, Illinois. Certain legal matters will be passed upon for the Underwriters by their Co-Underwriters’ Counsel, Chapman and Cutler LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois. It is anticipated that the Bonds will be available for delivery to DTC on or about December \_\_, 2024.

**BARCLAYS**

**CABRERA CAPITAL MARKETS LLC**

**Backstrom McCarley Berry & Co., LLC**

**Blaylock Van, LLC**

**Loop Capital Markets**

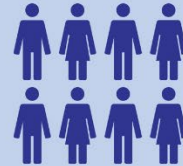
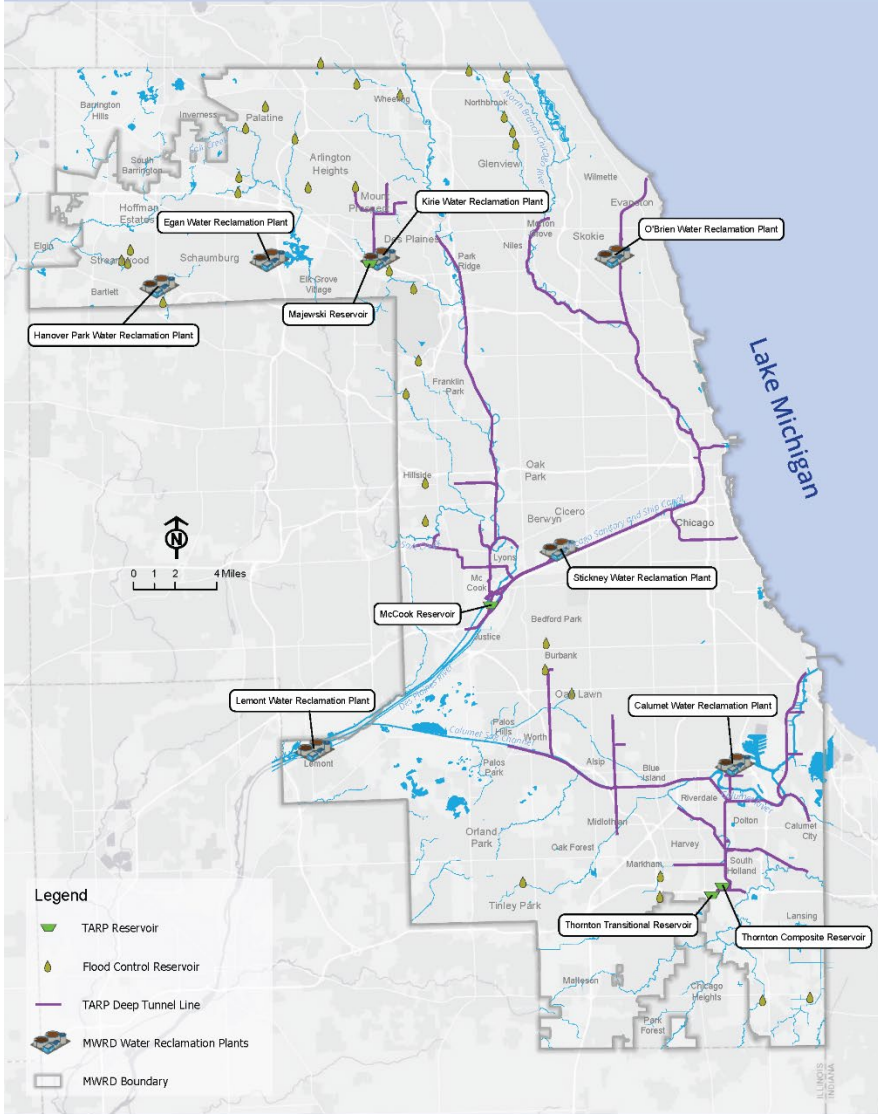
**Mischler Financial Group, Inc.**

Dated: December \_\_, 2024

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and/or amendment. These securities may not be sold nor may they be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

# MWRD Summary of Wastewater Treatment Services



5.19 MILLION  
RESIDENTS  
SERVED



882.1 SQUARE  
MILES SERVED



7 AWARD WINNING  
WATER RECLAMATION  
PLANTS



TREATMENT CAPACITY  
OVER 2.0 BILLION  
GALLONS PER DAY



NEARLY 500  
BILLION GALLONS  
TREATED PER YEAR



AVERAGE OF 1.2  
BILLION GALLONS  
TREATED PER DAY

## MATURITY SCHEDULE

**\$300,000,000\***

### GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS, 2024 SERIES A (GREEN BONDS)

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT (\$)*	INTEREST RATE (%)	YIELD (%)	PRICE (%)	CUSIP**
2027	3,555,000				167560
2028	3,875,000				167560
2029	2,725,000				167560
2030	4,625,000				167560
2031	15,245,000				167560
2039	67,435,000				167560
2040	58,325,000				167560
2041	49,145,000				167560
2042	41,005,000				167560
2043	31,685,000				167560
2044	22,380,000				167560

**\$25,000,000\***

### GENERAL OBLIGATION UNLIMITED TAX CAPITAL IMPROVEMENT BONDS, 2024 SERIES B (GREEN BONDS)

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT (\$)*	INTEREST RATE (%)	YIELD (%)	PRICE (%)	CUSIP**
2039	955,000				167560
2040	5,580,000				167560
2041	5,855,000				167560
2042	6,150,000				167560
2043	6,460,000				167560

\* Preliminary, subject to change.

\*\* CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**\$48,000,000\***

**GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, 2024 SERIES C**

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT (\$)*	INTEREST RATE (%)	YIELD (%)	PRICE (%)	CUSIP**
2026	3,535,000				167560
2027	10,865,000				167560
2028	16,280,000				167560
2029	17,320,000				167560

**\$90,000,000\***

**GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS, 2024 SERIES D**

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT (\$)*	INTEREST RATE (%)	YIELD (%)	PRICE (%)	CUSIP**
2026	225,000				167560
2027	12,085,000				167560
2028	10,675,000				167560
2029	1,335,000				167560
2032	46,715,000				167560
2033	18,965,000				167560

\* Preliminary, subject to change.

\*\* CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**\$37,000,000\***  
**GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS (ALTERNATE REVENUE SOURCE),**  
**2024 SERIES E**

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT (\$)*	INTEREST RATE (%)	YIELD (%)	PRICE (%)	CUSIP**
2025	1,545,000				167560
2026	1,545,000				167560
2027	1,630,000				167560
2028	1,695,000				167560
2029	1,775,000				167560
2030	1,875,000				167560
2031	1,975,000				167560
2032	2,075,000				167560
2033	2,170,000				167560
2034	2,270,000				167560
2035	2,385,000				167560
2036	2,520,000				167560
2037	2,650,000				167560
2038	2,780,000				167560
2039	2,910,000				167560
2040	3,060,000				167560
2041	2,140,000				167560

\* Preliminary, subject to change.

\*\* CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**

**BOARD OF COMMISSIONERS AND PRINCIPAL OFFICERS**

**BOARD OF COMMISSIONERS\***

Honorable Kari K. Steele, President  
Honorable Patricia Theresa Flynn, Vice President  
Honorable Marcelino Garcia, Chairman, Committee on Finance  
Honorable Precious Brady-Davis  
Honorable Yumeka Brown  
Honorable Cameron Davis  
Honorable Daniel Pogorzelski  
Honorable Eira L. Corral Sepúlveda  
Honorable Mariyana T. Spyropoulos

**PRINCIPAL OFFICERS**

Brian A. Perkovich, Executive Director  
Steven J. Lux, Treasurer  
Allison Fore, Public and Intergovernmental Affairs Officer  
Darlene A. LoCascio, Director of Procurement and Materials Management  
Susan T. Morakalis, General Counsel  
John P. Murray, Director of Maintenance and Operations  
Catherine A. O'Connor, Ph.D., P.E., Director of Engineering  
Edward W. Podczerwinski, P.E., Director of Monitoring and Research  
Shellie A. Riedle, Administrative Services Officer  
Thaddeus J. Kosowski, Director of Human Resources  
Sean Kelly, Director of Information Technology  
Jacqueline Torres, Clerk/Director of Finance

**CO-BOND COUNSEL**

Katten Muchin Rosenman LLP  
Chicago, Illinois  
Hardwick Law Firm, LLC  
Chicago, Illinois

**CO-DISCLOSURE COUNSEL**

Foley & Lardner LLP  
Chicago, Illinois  
Holley & Pearson-Farrer LLP  
Chicago, Illinois

**CO-FINANCIAL ADVISORS**

Acacia Financial Group, Inc.  
Chicago, Illinois  
Columbia Capital Management, LLC  
Chicago, Illinois

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\* As of November 30, 2024

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as statements of the District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Unless otherwise indicated, the District is the source of all tables and statistical and financial information contained in this Official Statement. The information set forth herein relating to governmental bodies other than the District has been obtained from such governmental bodies or from other sources believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and opinions expressed herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the District since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement should be considered in its entirety and no one factor should be considered less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to herein, reference should be made to such statutes, ordinances, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the District's beliefs as well as assumptions made by and information currently available to the District. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity (other than the District) shall have passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein and is "deemed final" by the District as of the date hereof (or of the date of any supplement or correction) except for the omission of certain information permitted to be omitted pursuant to such Rule.

In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level which might not otherwise prevail in the open market. Such stabilizing, if begun, may be discontinued, and also may be recommenced at any time, in each case without notice.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

## SUMMARY OF TERMS OF THE BONDS

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THE OFFICIAL STATEMENT TO WHICH THIS SUMMARY IS ATTACHED. THE OFFERING OF THE BONDS TO ANY PERSON IS MADE ONLY BY MEANS OF THE OFFICIAL STATEMENT, WHICH SHOULD BE REVIEWED CAREFULLY IN ITS ENTIRETY. CAPITALIZED TERMS NOT DEFINED IN THIS SUMMARY ARE DEFINED IN THE OFFICIAL STATEMENT.

**The District**.....Metropolitan Water Reclamation District of Greater Chicago

**The Issue** .....\$300,000,000\* General Obligation Limited Tax Capital Improvement Bonds, 2024 Series A (Green Bonds)

\$25,000,000\* General Obligation Unlimited Tax Capital Improvement Bonds, 2024 Series B (Green Bonds)

\$48,000,000\* General Obligation Limited Tax Refunding Bonds, 2024 Series C

\$90,000,000\* General Obligation Unlimited Tax Refunding Bonds, 2024 Series D

\$37,000,000\* General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2024 Series E

The issuance of the 2024D Bonds and the 2024E Bonds is contingent on the completion of the District’s Tender Offer and Refunding Plan (as described herein). See “PLAN OF FINANCE — The Tender Offer and Refunding Plan.”

**Dated Date** .....Date of Original Issue: December \_\_\_, 2024.

**Maturity Dates** .....December 1 of each of the years as set forth on the inside cover pages.

**Interest** .....Payable semiannually on June 1 and December 1, commencing June 1, 2025.

**Record Date** .....The 15th day of the calendar month next preceding each interest payment date.

**Form of Bonds;** The Bonds will be issued as fully registered book-entry bonds in the denomination  
**Denominations;** of \$5,000 or any integral multiple of that amount. The Bonds will be registered in  
**Book-Entry System** ....the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, and will be held under DTC’s global book-entry system.

**Use of Proceeds**.....The proceeds of the Bonds will be used to (i) pay for certain projects included in the District’s Capital Improvements Program, (ii) refund certain maturities of the District’s outstanding general obligation bonds, (iii) refund certain general obligation bonds that the District has accepted for purchase pursuant to the District’s invitation to voluntarily tender such bonds, as provided in the Invitation (as defined herein), (iv) pay capitalized interest on one or more series of the Bonds,

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\* Preliminary, subject to change.



and (v) pay for the costs of issuance of the Bonds. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

**Optional Redemption.** Certain of the Bonds are subject to optional redemption. See “THE BONDS — Optional Redemption.”

**Security for the Bonds**..... The Bonds are direct and general obligations of the District for the payment of which the full faith and credit of the District has been pledged. The Unlimited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount. The Limited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate, but the amount of the taxes that may be extended to pay the Limited Tax Bonds is limited as provided by the Limitation Law. The 2024E Bonds are also “alternate bonds” issued under the Local Government Debt Reform Act. See “SECURITY FOR THE BONDS.”

**Debt Service Fund Protection**..... In accordance with the Debt Reform Act, the tax receipts derived from the taxes levied for a series of the Bonds that are deposited into the debt service fund for such series of the Bonds, together with any other moneys deposited or to be deposited in such debt service fund, are pledged as security for the payment of the principal of and interest on that series of Bonds. Such pledge is valid and binding from the date of issuance of the Bonds. All moneys held in such debt service funds, including the tax receipts described above, are immediately subject to the lien of the District’s pledge without any physical delivery or further act and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise. See “SECURITY FOR THE BONDS.”

**Tax Treatment of Interest** ..... Interest on the Bonds is excluded from gross income of their owners for federal income tax purposes and is not included as an item of tax preference for purposes of the federal alternate minimum tax imposed on all taxpayers. Interest on the Bonds is included in the adjusted financial statement income of those corporations subject to the corporate alternative minimum tax. Interest on the Bonds is not exempt from present State of Illinois income taxes. See “TAX MATTERS” for a more complete discussion.

**Ratings** ..... Fitch Ratings, Inc.: “AAA” (Stable Outlook)

S&P Global Ratings: “AA+” (Stable Outlook)

**Contact** ..... Additional information regarding the Bonds and this Official Statement is available by contacting Steven J. Lux, Treasurer of the District, at [luxs1@mwrdr.org](mailto:luxs1@mwrdr.org).

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APPENDIX G —	Schedule of Refunded Bonds
APPENDIX H —	S&P Global Ratings Second Party Opinion

## OFFICIAL STATEMENT

### **\$500,000,000\*** METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

CONSISTING OF

<b>\$300,000,000*</b> GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS, 2024 SERIES A (GREEN BONDS)	<b>\$25,000,000*</b> GENERAL OBLIGATION UNLIMITED TAX CAPITAL IMPROVEMENT BONDS, 2024 SERIES B (GREEN BONDS)
<b>\$48,000,000*</b> GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, 2024 SERIES C	<b>\$90,000,000*</b> GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS, 2024 SERIES D
<b>\$37,000,000*</b> GENERAL OBLIGATION UNLIMITED TAX REFUNDING BONDS (ALTERNATE REVENUE SOURCE), 2024 SERIES E	

### INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to set forth certain information in conjunction with the sale by the Metropolitan Water Reclamation District of Greater Chicago (the “*District*”) of \$300,000,000\* principal amount of its General Obligation Limited Tax Capital Improvement Bonds, 2024 Series A (Green Bonds) (the “*2024A Bonds*”), \$25,000,000\* principal amount of its General Obligation Unlimited Tax Capital Improvement Bonds, 2024 Series B (Green Bonds) (the “*2024B Bonds*”), \$48,000,000\* principal amount of its General Obligation Limited Tax Refunding Bonds, 2024 Series C (the “*2024C Bonds*”), \$90,000,000\* principal amount of its General Obligation Unlimited Tax Refunding Bonds, 2024 Series D (the “*2024D Bonds*”), and \$37,000,000\* principal amount of its General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2024 Series E (the “*2024E Bonds*” and, together with the 2024A Bonds, the 2024B Bonds, the 2024C Bonds, and the 2024D Bonds, the “*Bonds*”). The Bonds are direct and general obligations of the District, whose full faith and credit have been pledged for the punctual payment of the principal of and interest on the Bonds, as more fully described below.

The District is a sanitary district and a body politic and corporate of the State of Illinois (the “*State*”) organized and existing under the Metropolitan Water Reclamation District Act (70 Illinois Compiled Statutes 2605) (the “*Act*”). The 2024A Bonds and the 2024B Bonds are authorized and issued pursuant to the Act and the Local Government Debt Reform Act (30 Illinois Compiled Statutes 350) (the “*Debt Reform Act*”). The 2024C Bonds and the 2024D Bonds are

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\* Preliminary, subject to change.

authorized and issued pursuant to the Act, the Sanitary District Refunding Bond Act (70 Illinois Compiled Statutes 3005), and the Debt Reform Act. The 2024E Bonds are authorized and issued pursuant to the Act and Section 15 of the Debt Reform Act.

The issuance, sale, and delivery of each Series of Bonds is authorized pursuant to a related bond ordinance for such Series, all adopted by the Board of Commissioners (the “*Board*”) of the District on November 21, 2024, as supplemented by a Bond Order for each Series (collectively, the “*Bond Ordinances*”).

The 2024B Bonds, the 2024D Bonds, and the 2024E Bonds (collectively, the “*Unlimited Tax Bonds*”) are direct and general obligations of the District payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount and from all moneys on deposit in the separate debt service fund relating to each Series of Unlimited Tax Bonds established pursuant to the related Bond Ordinance. Moneys deposited into the related debt service fund, including the proceeds of the taxes levied pursuant to the related Bond Ordinance, are pledged as security for the payment of principal and interest on the related Series of Unlimited Tax Bonds. See “SECURITY FOR THE BONDS — Security for Unlimited Tax Bonds.”

The 2024A Bonds and the 2024C Bonds are “limited bonds” being issued pursuant to Section 15.01 of the Debt Reform Act (collectively, the “*Limited Tax Bonds*”). The Limited Tax Bonds are direct and general obligations of the District, payable from ad valorem taxes levied upon all taxable property within the District, without limitation as to rate, but limited as to amount by the provisions of the Property Tax Extension Limitation Law (35 Illinois Compiled Statutes 200/18-185 to 200/18-245) (the “*Limitation Law*”), and from all moneys on deposit in the separate debt service fund relating to each Series of Limited Tax Bonds established pursuant to the related Bond Ordinance. Moneys deposited into the related debt service fund, including the proceeds of the taxes levied pursuant to the related Bond Ordinance, are pledged as security for the payment of principal and interest on the related Series of Limited Tax Bonds. See “SECURITY FOR THE BONDS — Security for Limited Tax Bonds.”

The 2024E Bonds are also “alternate bonds” issued in accordance with Section 15 of the Debt Reform Act. The 2024E Bonds are direct and general obligations of the District and the payment of principal and interest on the 2024E Bonds are also payable from the moneys received by the District from the levy and collection of a stormwater management tax, which moneys constitute a “revenue source” within the meaning of Section 15 of the Debt Reform Act. The debt service on general obligation bonds of the District issued as “alternate bonds,” such as the 2024E Bonds, is excluded from the tax extension limitation of the Limitation Law and does not reduce the District’s capacity to issue limited bonds. See “SECURITY FOR THE BONDS — Security for Unlimited Tax Bonds — The 2024E Bonds,” “SECURITY FOR THE BONDS — Security for the Unlimited Tax Bonds,” and “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act” and “TAXATION OF PROPERTY WITHIN DISTRICT — STATISTICAL INFORMATION.”

Proceeds from the sale of the 2024A Bonds will be applied to (i) reimburse \$ \_\_\_\_\_ of capital expenditures paid by the District and fund additional capital expenditures of the District for “Water Reclamation Plant Expansions and System Improvements” as part of the District’s Capital Improvements Program (the “*Capital Improvements Program*”) described under “APPENDIX B —

CAPITAL IMPROVEMENTS PROGRAM” (the “*2024A Projects*”), (ii) pay capitalized interest, and (iii) pay costs of issuance of the 2024A Bonds. See “SOURCES AND USES OF FUNDS.”

Proceeds from the sale of the 2024B Bonds will be applied to (i) fund certain stormwater projects of the District initiated before October 1, 1991, including projects included in the District’s Tunnel and Reservoir Plan (“*TARP*”), as part of the Capital Improvements Program (the “*2024B Projects*”, and together with the 2024A Projects, the “*Project*”), (ii) pay capitalized interest, and (iii) pay costs of issuance of the 2024B Bonds. See “SOURCES AND USES OF FUNDS.” The debt service on general obligation bonds of the District, such as the 2024B Bonds, issued to finance or to refund bonds that financed construction projects initiated prior to October 1, 1991, including the TARP, is excluded from the tax extension limitation of the Limitation Law and does not reduce the District’s capacity to issue limited bonds. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act” and “DEBT INFORMATION — District’s Debt Service Extension Base Capacity.”

Proceeds from the sale of the 2024C Bonds will be used to currently refund all or a portion of the principal of and interest on the District’s outstanding General Obligation Limited Tax Capital Improvement Bonds, 2014 Series C (the “*Series 2014C Bonds*”). Those Series 2014C Bonds being refunded with proceeds from the sale of the 2024C Bonds are referred to in this Official Statement as the “*Series 2014C Refunded Bonds*.” Proceeds from the sale of the 2024C Bonds will also be used to pay costs of the issuance of the 2024C Bonds. See “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “APPENDIX G – SCHEDULE OF REFUNDED BONDS.”

Proceeds from the sale of the 2024D Bonds will be used to pay the tender purchase price of a portion of the District’s outstanding General Obligation Unlimited Tax Refunding Bonds, 2021 Taxable Series E (the “*Series 2021E Bonds*”) validly tendered for cash and accepted for purchase by the District pursuant to the District’s Tender Offer (as defined herein). Those Series 2021E Bonds being purchased with proceeds from the sale of the 2024D Bonds are referred to in this Official Statement as the “*Series 2021E Refunded Bonds*.” Proceeds from the sale of the 2024D Bonds will also be used to pay costs of the issuance of the 2024D Bonds. See “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “APPENDIX G – SCHEDULE OF REFUNDED BONDS.”

Proceeds from the sale of the 2024E Bonds will be used to pay the tender purchase price of a portion of the District’s outstanding General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2021 Taxable Series F (the “*Series 2021F Bonds*”) validly tendered for cash and accepted for purchase by the District pursuant to the District’s Tender Offer. Those Series 2021F Bonds being purchased with proceeds from the sale of the 2024E Bonds are referred to in this Official Statement as the “*Series 2021F Refunded Bonds*” and together with the Series 2021E Refunded Bonds, the “*2021 Refunded Bonds*.” Proceeds from the sale of the 2024E Bonds will also be used to pay costs of the issuance of the 2024E Bonds. See “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “APPENDIX G—SCHEDULE OF REFUNDED BONDS.”

The 2024C Bonds, 2024D Bonds and 2024E Bonds are referred to collectively in this Official Statement as the “*Refunding Bonds*.” The Series 2014C Refunded Bonds and the 2021 Refunded Bonds are referred to collectively in this Official Statement as the “*Refunded Bonds*.”

This Official Statement contains summaries of the terms of the Bonds, together with descriptions of the District and other pertinent information. All references to agreements and documents are qualified in their entirety by references to the agreements and documents. Any statements or information indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith, but no assurance can be given that the facts will materialize as so opined or estimated.

Factors that may affect an investment decision concerning the Bonds are described under the section “INVESTMENT CONSIDERATIONS,” but are contained throughout this Official Statement. Persons considering a purchase of any of the Bonds should read the Official Statement in its entirety.

## **PLAN OF FINANCE**

### **GENERAL**

The proceeds from the sale of the 2024A Bonds and the 2024B Bonds will be used to finance all or a portion of the Projects referred to hereunder under the caption “PLAN OF FINANCE – The Projects.”

The proceeds from the sale of the 2024C Bonds will be used to currently refund certain of the District’s outstanding Series 2014C Bonds, as more fully detailed under “PLAN OF FINANCE – The Tender Offer and Refunding Plan” herein.

The proceeds from the sale of the Series 2024D and Series 2024E Bonds will be used to refund the 2021 Refunded Bonds (as hereinafter defined). The issuance of the Series 2024D Bonds and the 2024E Bonds is contingent on the completion of the District’s Tender Offer and Refunding Plan (as defined herein).

### **THE PROJECTS**

The Projects involve (i) the District’s TARP, (ii) the development, design, planning, and construction of regional and local stormwater facilities provided in the countywide stormwater management plan and the acquisition of real property in furtherance of its regional and local stormwater management activities, and (iii) replacing, remodeling, completing, altering, constructing, and enlarging of sewage treatment works, administrative buildings, water quality improvement projects, or flood control facilities, and additions therefor, including, but not limited to, the construction of pumping stations, tunnels, conduits, intercepting sewers, and outlet sewers, together with the equipment, including air pollution equipment, and appurtenances thereto, to acquire property, real, personal, or mixed, necessary for said purposes, for costs and expenses for the acquisition of the sites and rights of way necessary thereto, and for engineering expenses for designing and supervising the construction of such works and other related and incidental expenses. For additional information concerning the District’s capital improvements plan, see “APPENDIX B — CAPITAL IMPROVEMENTS PROGRAM.”



## THE TENDER OFFER AND REFUNDING PLAN

*Series 2014C Bonds.* Proceeds of the 2024C Bonds will be used to currently refund the Series 2014C Refunded Bonds. The Series 2014C Refunded Bonds will be redeemed on or about January \_\_, 2025\*. The 2014C Refunded Bonds will be redeemed at the redemption price of par plus accrued interest to the redemption date. Proceeds of 2024C Bonds held under the Escrow Agreement (as defined below) will be used to provide for the refunding and for the payment and redemption of the Series 2014C Refunded Bonds.

To provide for the payment and redemption of the Series 2014C Refunded Bonds, certain proceeds of the 2024C Bonds will be held in cash or used to purchase securities constituting direct obligations of the United States of America (collectively, the “*Government Obligations*”). Cash and Government Obligations derived from the proceeds of the 2024C Bonds will be held in a separate escrow account established for the Series 2014C Refunded Bonds pursuant to the Escrow Deposit Agreement, dated the date of issuance of the Bonds (the “*Escrow Agreement*”), between the District and the escrow agent for the Series 2014C Refunded Bonds. None of such cash deposit, the maturing principal of such Government Obligations or the interest to be earned thereon will serve as security or be available for the payment of the principal of or interest on the Bonds.

The mathematical computation of the adequacy of maturing principal of and interest earnings on the Government Obligations, together with the initial cash deposits made under the Escrow Agreement, to provide for the payment and redemption of the Series 2014C Refunded Bonds as described above will be verified at the time of delivery of the Bonds by American Municipal Tax-Exempt Compliance Corp. dba AMTEC, of Avon, Connecticut, and Michael Torsiello, C.P.A. (an independent Certified Public Accountant), of Morrisville, North Carolina.

*Target Bonds.* Below is a description of the District’s plan to use the proceeds of the 2024D Bonds and the 2024E Bonds to purchase certain tendered Target Bonds (defined below). This section is not intended to summarize all the terms of the Tender Offer (defined below) and reference is made to the Invitation to Tender Bonds for Purchase dated November 22, 2024 (the “*Invitation*”) for the terms and conditions setting forth the settlement of the tendered Target Bonds purchased by the District. The final decision to refund any or all of the Target Bonds by purchasing tendered Target Bonds will be in the sole and absolute discretion of the District, as more fully detailed in the Invitation.

On November 22, 2024, pursuant to the Invitation, the District invited holders of certain outstanding general obligation bonds described in more detail in the Invitation (the “*Target Bonds*”) to voluntarily tender such Target Bonds for purchase by the District (the “*Tender Offer*”). The Target Bonds validly tendered and accepted for purchase by the District in accordance with the terms of the Invitation are referred to herein as the “*2021 Refunded Bonds*.” The offer to purchase Target Bonds is made solely through the Invitation and is subject to the terms and conditions set forth therein. The issuance of the 2024D Bonds and the 2024E Bonds for the refunding of the 2021 Refunded Bonds is contingent upon the District’s decision to accept and purchase tendered Target Bonds and certain other conditions as to the acceptance of the Target Bonds for purchase as set forth in the Invitation. On December 11, 2024, the District will determine

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\* Preliminary, subject to change.

to accept any Target Bonds that were tendered for purchase pursuant to the Invitation, which bonds are identified on APPENDIX G; and upon purchase thereof, such bonds are referred to as 2021 Refunded Bonds.

By means of the Tender Offer, the District expects to purchase the 2021 Refunded Bonds for cash with the proceeds of the 2024D Bonds and the 2024E Bonds, subject to the terms and conditions set forth in the Invitation. The 2021 Refunded Bonds will be purchased and cancelled on the settlement date set forth in the Invitation, which is the expected date of delivery of the Bonds. Upon purchase and cancellation, the 2021 Refunded Bonds shall no longer be deemed outstanding.

The foregoing discussion is not intended to summarize the terms of the Invitation, or to solicit offers to tender the Target Bonds, and reference is made to the Invitation for a discussion of the terms of the Invitation and the conditions for settlement of the Target Bonds validly tendered and accepted for purchase by the District. The District has filed the Invitation with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system (“EMMA”) and a copy of the Invitation is available on EMMA.

### **THE GREEN PROJECTS**

The mission of the District is to protect the health and safety of the public in its Greater Chicago service area, protect the quality of the water supply source (Lake Michigan) in its service area, improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages, and manage water as a vital resource for its service area. The District is currently undertaking a number of capital projects designed to fulfill its statutory responsibilities.

The 2024A Bonds and the 2024B Bonds are designated as “*Green Bonds*” due to such Projects’ adherence to the standards of the Clean Water Act of 1972, as amended. The purpose of labeling these series of bonds as Green Bonds is to allow investors to invest directly in these environmentally beneficial projects. Holders of Green Bonds do not assume any specific risk because of the designation of such bonds as Green Bonds. The District obtained a Second Party Opinion (the “*Second Party Opinion*”) from S&P Global Ratings on the alignment of the 2024A Bonds and the 2024B Bonds to Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1). The Second Party Opinion is provided in APPENDIX H.

For the benefit of investors, the District has defined four categories of projects funded by Green Bonds (collectively, the “*Green Projects*”) as defined below.

(i) *Tunnel and Reservoir Plan (TARP) Project.* The Board adopted the Tunnel and Reservoir Plan (“*TARP*”) in 1972 as a comprehensive pollution and flood control program for its 375 square mile combined sewer area. This area includes part or all of 52 communities, including the City of Chicago, and is one of the country’s largest public works projects for pollution and flood control. The primary goals of TARP are as follows: protect Lake Michigan – the area’s primary source of drinking water – from polluted backflows; clean up the area’s waterways; and provide an outlet for floodwaters in order to reduce basement flooding. The TARP Tunnel Systems currently eliminate about 85% of the pollution load attributable to combined sewer overflow. The three TARP Reservoirs,

two of which are completed, will provide storage for additional sewage and stormwater runoff flows captured by the TARP tunnel systems.

(ii) *Stormwater Management Program Projects.* The District undertakes stormwater management projects under two phases of its Stormwater Management Program. Phase I consists of projects identified under Detailed Watershed Plans (DWPs), which were completed in 2010. Phase I projects address regional waterway overbank flooding and streambank stabilization concerns. In 2020, construction was completed on one Phase I project and construction continued on five additional Phase I projects. The District initiated Phase II of its Stormwater Management Program in 2013 to address local flooding problems not necessarily involving overbank flooding. Since 2013, this program has gained momentum and includes 195 projects that have been completed, are under construction or in design. To best serve communities with a range of resources throughout Cook County, Illinois (the “County”), the Phase II programs allow for local stormwater partnerships in which the District provides a cost-share for projects designed and constructed by a community. In 2020, ten projects were evaluated and accepted for the local stormwater partnership program and intergovernmental agreements are being negotiated. For communities that do not have resources to design flood control solutions, the District hires consulting firms to investigate and determine if there is an engineering solution that can be pursued to alleviate local flooding. In 2021 the District initiated engineering studies for six areas within the County to conduct engineering analysis for the areas. For circumstances where a flood control project is not feasible, the District initiated a Flood-Prone Property Acquisition Program in 2015. Under this program the District has partnered with 16 municipalities and acquired 220 properties, and placed deed restriction requiring such properties to remain as open space into perpetuity. Presently, the capital cost for these projects over the next five years is estimated to be \$141.6 million.

(iii) *Resource Recovery Projects.* The District plans to focus on implementing sustainable and resilient practices in effecting a sustainable economy and financial base through the proper regulation and usage of the following resources - water, phosphorus, biosolids, and energy. Notably, the District plans to complete an evaluation of requirements for energy neutrality by 2030. The District is currently undertaking a number of innovative projects with respect to water and stormwater reuse and phosphorus recovery for environmentally-friendly reuse as a fertilizer and is exploring food to energy and gas production from anaerobic digestion processes. Similarly, improved wastewater treatment and greater plant efficiency will result in the District’s collection of increased quantities of biosolids. The sustainable, beneficial management of phosphorus is a major program of the District. Within the next five years, award of construction projects with a cost of approximately \$600 million is currently anticipated for phosphorus management improvements.

(iv) *Water Reclamation Plant Expansions and System Improvements.* The District owns and operates one of the world’s largest water reclamation plants, in addition to six other plants and 23 pumping stations. The District treats an average of 1.2 billion gallons of wastewater each day. The District’s total wastewater treatment capacity is over 2.0 billion gallons per day. The District’s Capital Improvements Program includes the replacing, remodeling, completing, altering, constructing and enlarging of sewage

treatment works, administrative buildings, water quality improvement projects or flood control facilities, and additions therefor, including, but not limited to, the construction of pumping stations, tunnels, conduits, intercepting sewers and outlet sewers, together with the equipment, including air pollution equipment, and appurtenances thereto, to acquire property, real, personal or mixed, necessary for said purposes, and for costs and expenses for the acquisition of the sites and rights of way necessary thereto, and for engineering expenses for designing and supervising the construction of such works and other related and incidental expenses.

For additional information concerning the District’s Green Projects, see “APPENDIX B — CAPITAL IMPROVEMENTS PROGRAM.”

Pursuant to the respective Bond Ordinances, it is anticipated that the proceeds of the 2024A Bonds will be used to fund the 2024A Projects and the proceeds of the 2024B Bonds will be used to fund the 2024B Projects. The proceeds of each series of Green Bonds will be deposited into segregated Bond Proceeds Funds. Investments of proceeds deposited into the segregated Bond Proceeds Funds are limited by the District’s Investment Policy as well as Illinois law to certain allowable investments. See “CASH MANAGEMENT — Investment of District Funds.”

The District will post an annual report that identifies the use of proceeds of the Series 2024A Bonds and the Series 2024B Bonds, for such year, by project, on its website: <https://mwr.org>. The District also plans to post a report of all projects funded from Green Bonds when all such proceeds have been spent. Once all proceeds of the Green Bonds funding a project have been spent, no further updates with respect to that project will be provided. For the avoidance of doubt, such reports and periodic updates related to Green Bonds are not Annual Financial Information (as defined below in “THE UNDERTAKING — Annual Financial Information Disclosure”).

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## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows:

	<u>2024A</u> <u>BONDS</u>	<u>2024B</u> <u>BONDS</u>	<u>2024C</u> <u>BONDS</u>	<u>2024D</u> <u>BONDS</u>	<u>2024E</u> <u>BONDS</u>	<u>TOTAL</u>
SOURCES OF FUNDS						
Principal Amount of Bonds	\$	\$	\$	\$	\$	\$
Original Issue Premium						
Total Sources of Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
USES OF FUNDS						
Capital Projects	\$	\$	\$	\$	\$	\$
Refund 2014C Bonds Tender Offer Purchase						
Capitalized Interest Costs of Issuance <sup>(1)</sup>						
Total Uses of Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

(1) Includes rating agency, legal and accounting fees, costs associated with the Tender Offer and Refunding Plan, Underwriters' discount and other miscellaneous costs of issuance incurred in connection with the issuance of the Bonds.

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## THE BONDS

### GENERAL DESCRIPTION

The Bonds will be dated the date of issuance thereof and will mature on December 1 of the years and in the amounts shown on the inside cover pages of this Official Statement. The Bonds bear interest from their dated date, at the rates set forth on the inside cover pages of this Official Statement, computed upon the basis of a 360-day year of twelve 30-day months and payable on June 1, 2025, and semiannually thereafter on each June 1 and December 1. The Bonds are issuable only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof under a global book entry only system operated by The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds may be made only in book entry form through the facilities of DTC. Purchasers will not receive certificates representing their interest in the Bonds purchased. See “APPENDIX F — BOOK ENTRY SYSTEM.” Principal of and interest on the Bonds are payable by Zions Bancorporation, National Association, as the initial Bond Registrar and Paying Agent (the “*Bond Registrar*”).

### REGISTRATION AND TRANSFER

The Bond Registrar will maintain books for the registration of ownership and transfer of the Bonds. Subject to the provisions of the Bonds as they relate to book entry form, any Bond may be transferred upon the surrender thereof at the office designated for such purpose of the Bond Registrar, together with a written instrument satisfactory to the Bond Registrar duly executed by the registered owner or his or her attorney duly authorized in writing. No service charge shall be made for any transfer or exchange of Bonds, but the District or the Bond Registrar may require payment of a sum sufficient for reimbursement of any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

The Bond Registrar shall not be required to transfer or exchange any Bond after notice of the redemption of all or a portion thereof has been mailed. The Bond Registrar shall not be required to transfer or exchange any Bond during a period of 15 days next preceding the mailing of a notice of redemption that could designate for redemption all or a portion of such Bond.

### OPTIONAL REDEMPTION

*2024A Bonds.* The 2024A Bonds maturing on or after December 1, 2035\*, are subject to redemption prior to maturity at the option of the District, in whole or in part on any date on or after December 1, 2034\*, at a redemption price of par, plus accrued interest to the date fixed for redemption.

*2024B Bonds.* The 2024B Bonds maturing on or after December 1, 2035\*, are subject to redemption prior to maturity at the option of the District, in whole or in part on any date on or after December 1, 2034\*, at a redemption price of par, plus accrued interest to the date fixed for redemption.

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\* Preliminary, subject to change.

*2024E Bonds.* The 2024E Bonds maturing on or after December 1, 2035\*, are subject to redemption prior to maturity at the option of the District, in whole or in part on any date on or after December 1, 2034\*, at a redemption price of par, plus accrued interest to the date fixed for redemption.

The 2024C Bonds and 2024D Bonds are not subject to optional redemption prior to maturity.

#### SELECTION OF BONDS TO BE REDEEMED

If less than all of the Bonds of a series are to be redeemed, the particular maturities of such Bonds to be redeemed at the option of the District will be determined by the District in its sole discretion.

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of the Bonds of the same series, maturity and interest rate are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be allocated by lot in accordance with DTC procedures.

The District intends that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis for the Bonds, as described above. However, neither the District nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of Bond on such basis.

If the Bonds are not registered in book-entry form, in the event of a redemption of less than all of the Bonds of like series, maturity, and interest rate, the aggregate principal amount thereof to be redeemed shall be \$5,000 or an integral multiple thereof and the Bond Registrar shall assign to each Bond of such series and maturity a distinctive number for each \$5,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bond to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; *provided* that only so much of the principal amount of each Bond shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

#### REDEMPTION PROCEDURE AND NOTICE OF REDEMPTION

Notice of the redemption of the Bonds shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for such redemption to the registered owners of Bonds to be redeemed at their last addresses appearing on the registration books. The Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner) then from and after the redemption date interest on such Bonds

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\* Preliminary, subject to change.

or portions thereof shall cease to accrue and become payable. If there shall be drawn for redemption less than all of a Bond, the District shall execute and the bond registrar shall authenticate and deliver, upon surrender of such Bond, without charge to the owner thereof, in exchange for the unredeemed balance of the Bond so surrendered, Bonds of like series, maturity and interest rate and of the denomination of \$5,000 or any integral multiple thereof.

Such additional notice and information as may be agreed upon with DTC shall also be given so long as the Bonds are held by DTC. See “APPENDIX F — BOOK ENTRY SYSTEM.”

#### DEFEASANCE

If the District pays or causes to be paid to the registered owners of a Series of the Bonds, the principal, premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated in the respective Bond Ordinance, then the pledge of the taxes levied to pay the principal of or interest on the Bonds and the covenants, agreements and other obligations of the District to the registered owners and the beneficial owners of the Bonds are discharged and satisfied.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of the Bonds, will be deemed to have been paid within the meaning set forth in the respective Bond Ordinance if (1) in case any such Bonds are to be redeemed prior to the maturity thereof, there has been taken all action necessary to call the Bonds for redemption and notice of such redemption has been duly given or provision has been made for the giving of such notice, and (2) there has been deposited in trust with a bank, trust company or national banking association acting as fiduciary for such purpose either (i) moneys in an amount which shall be sufficient, or (ii) Federal Obligations (as hereinafter defined), the principal of and the interest on which when due will provide moneys which, together with any moneys on deposit with such fiduciary at the same time for such purpose, are sufficient, to pay when due the principal of, redemption premium, if any, and interest due and to become due on, such Bonds on and prior to the applicable maturity date or redemption date thereof.

“*Federal Obligations*” means (i) non-callable, direct obligations of the United States of America, (ii) non-callable and non-prepayable, direct obligations of any agency of the United States of America, which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest, (iii) non-callable, non-prepayable coupons or interest installments from the securities described in clause (i) or clause (ii) of this paragraph, which are stripped pursuant to programs of the Department of the Treasury of the United States of America, or (iv) coupons or interest installments stripped from bonds of the Resolution Funding Corporation.

### SECURITY FOR THE BONDS

#### SECURITY FOR UNLIMITED TAX BONDS

##### **General**

The 2024B Bonds, the 2024D Bonds and the 2024E Bonds are being issued as unlimited tax general obligation bonds and are sometimes referred to herein as the “*Unlimited Tax Bonds*.”



Pursuant to each related Bond Ordinance, the full faith and credit of the District has been irrevocably pledged to the punctual payment of the principal of and interest on each Series of Unlimited Tax Bonds. Each Series of Unlimited Tax Bonds are direct and general obligations of the District, and the District is obligated to levy ad valorem taxes upon all taxable property within the District, without limitation as to rate or amount, for the payment of the principal of and interest on each Series of Unlimited Tax Bonds.

Pursuant to each related Bond Ordinance, the District has levied a direct annual tax on all taxable property within the District, in each year for which any of the Unlimited Tax Bonds are outstanding in amounts sufficient for the punctual payment of the principal of and interest on each Series of Unlimited Tax Bonds as the same shall become payable. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES.”

In accordance with the Debt Reform Act, the tax receipts derived from the taxes so levied that are deposited into the debt service fund for each Series of Bonds, together with any other moneys deposited or to be deposited in such debt service fund, are pledged as security for the payment of the principal of and interest on that Series of Bonds. Such pledge is valid and binding from the date of issuance of the Bonds. All moneys held in such debt service funds, including the tax receipts described above, are immediately subject to the lien of the District’s pledge without any physical delivery or further act and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof. The provisions of the Bond Ordinances for each Series of Bonds, including with respect to the pledge described in this paragraph, constitute a contract between the District and the registered owners of such Series of Bonds.

The related Bond Ordinances provide that after the issuance of that Series of Bonds, the District shall not abate the taxes levied pursuant to that Bond Ordinance or take any action to restrict the extension and collection of such taxes except that the District may abate such taxes or take any such action for any tax levy year to the extent that, at the time of such abatement or restriction, moneys in the debt service fund for the related Series of Bonds, or otherwise held in trust for the payment of debt service on the related Series of Bonds, together with the amount to be extended for collection taking into account the proposed abatement or restriction, will be sufficient to provide for the punctual payment of the principal of and interest on the related Series of Bonds for such tax levy year.

### **The 2024E Bonds**

The 2024E Bonds are also being issued as “alternate bonds” pursuant to the Debt Reform Act. Pursuant to the Bond Ordinance authorizing the issuance of the 2024E Bonds (the “*2024E Bond Ordinance*”) and in accordance with the Debt Reform Act, the District has provided that the 2024E Bonds will also be paid from the moneys received by the District from the levy and collection of a stormwater management tax (“*Stormwater Management Tax Receipts*”). The Stormwater Management Tax Receipts constitute a “revenue source” within the meaning of Section 15 of the Debt Reform Act. Pursuant to the Series 2024E Bond Ordinance, the Stormwater Management Tax Receipts moneys are pledged as additional security for the payment of principal of and interest on the 2024E Bonds. For additional information about the stormwater management tax, see “— Stormwater Management Tax Receipts and Abatement of Taxes,” “TAXATION OF

PROPERTY WITHIN DISTRICT — STATISTICAL INFORMATION” AND “APPENDIX A — BASIC FINANCIAL STATEMENTS.”

The District has previously issued its General Obligation Unlimited Tax Bonds (Alternate Revenue Source), 2016 Series E (Green Bonds) (the “2016E Bonds”) and its General Obligation Bonds (Alternate Revenues Source) (2014 IEPA Authorization), Series 14O and Series 14R (collectively, the “2014 IEPA Bonds”), and its General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source) 2021 Taxable Series F (the “2021F Bonds”). The District has pledged the Stormwater Management Tax Receipts to the payment of the principal of and interest on the 2016E Bonds, the 2014 IEPA Bonds and the 2021F Bonds. The 2024E Bonds are issued on a parity with the 2014B Bonds, the 2016E Bonds, the 2014 IEPA Bonds and the 2021F Bonds with respect to the pledge of the Stormwater Management Tax Receipts.

The 2024E Bond Ordinance requires the Treasurer of the District to deposit into the debt service fund related to the 2024E Bonds on or before the last business day of February of each year Stormwater Management Tax Receipts in an amount so that the sum held in such debt service fund after such deposit shall be sufficient to provide for the punctual payment of the principal and interest on the 2024E Bonds that will become due and payable on and prior to the first day of December next ensuing (the “2024E Deposit”).

The 2016E Bonds, the 2014 IEPA Bonds, the 2021F Bonds and the 2024E Bonds are the only alternate bonds of the District secured by and payable from the Stormwater Management Tax Receipts. The District reserves the right to issue additional alternate revenue bonds secured by a pledge of the Stormwater Management Tax Receipts on a parity with the 2014B Bonds, the 2016E Bonds, the 2014 IEPA Bonds, the 2021F Bonds and the 2024F Bonds.

The Debt Reform Act provides that a governmental unit issuing alternate bonds, such as the 2024E Bonds, to refund alternate bonds must covenant to provide for, collect, and apply the revenue source to the payment of the alternate bonds and to provide for an amount equal to not less than an additional 0.25 times debt service. In accordance therewith, the District covenanted in the 2024E Bond Ordinance to provide for, collect and apply the Stormwater Management Tax Receipts to the payment of the 2016E Bonds, the 2014 IEPA Bonds, the 2021F Bonds and the 2024E Bonds and the provision of not less than an additional 0.25 times the annual debt service on the 2014B Bonds, the 2016E Bonds, the 2014 IEPA Bonds, the 2021F Bonds and the 2024E Bonds.

### **Stormwater Management Tax Receipts and Abatement of Taxes**

During the fiscal years ended December 31, 2023, and December 31, 2022, the District received Stormwater Management Tax Revenues of \$61.98 million and \$44.39 million, respectively. The variance largely was attributable to the due date of the second installment of tax revenues. Debt service on the 2014B Bonds, the 2016E Bonds, the 2014 IEPA Bonds and the 2021F Bonds during the same periods was \$9.53 million and \$9.17 million, respectively. See “APPENDIX A — Basic Financial Statements” for additional information.

Upon the deposit of the 2024E Deposit into the debt service fund related to the 2024E Bonds with respect to a tax year, the District intends to abate the taxes levied with respect to the 2024E Bonds for such tax year.

#### SECURITY FOR LIMITED TAX BONDS

The 2024A Bonds and the 2024C Bonds are being issued as “limited bonds” as defined in the Debt Reform Act and are sometimes referred to herein as the “*Limited Tax Bonds*.” Pursuant to the related Bond Ordinances, the full faith and credit of the District has been irrevocably pledged to the punctual payment of the principal of and interest on each Series of Limited Tax Bonds. Each Series of Limited Tax Bonds are direct and general obligations of the District and the District is obligated to levy ad valorem taxes upon all taxable property within the District, without limitation as to rate but limited as to amount by provisions of the Limitation Law, as described more fully below, for the payment of the principal of and interest on each Series of Limited Tax Bonds.

Pursuant to the related Bond Ordinance for each Series of Limited Tax Bonds, the District has levied a direct annual tax on all taxable property within the District, in each year for which any of the Limited Tax Bonds are outstanding in amounts sufficient for the punctual payment of the principal of and interest on the related Series of Limited Tax Bonds as the same shall become payable. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act” and “DEBT INFORMATION — District’s Debt Service Extension Base Capacity.”

In accordance with the Debt Reform Act, the tax receipts derived from the taxes so levied that are deposited into the debt service fund for the related Series of Limited Tax Bonds, together with any other moneys deposited or to be deposited in such debt service fund, are pledged as security for the payment of the principal of and interest on that Series of Limited Tax Bonds. Such pledge is valid and binding from the date of issuance of the Limited Tax Bonds. All moneys held in such debt service funds, including the tax receipts described above, are immediately subject to the lien of the District’s pledge without any physical delivery or further act and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof. The provisions of the Bond Ordinances for each Series of Limited Tax Bonds, including with respect to the pledge described in this paragraph, constitute a contract between the District and the registered owners of the respective Series of Limited Tax Bonds.

The related Bond Ordinances each provide that after the issuance of that Series of Limited Tax Bonds, the District will not abate the taxes levied pursuant to that Bond Ordinance or take any action to restrict the extension and collection of the such taxes except that the District may abate such taxes for any tax levy year to the extent that, at the time of such abatement, moneys in the debt service fund for the related Series of Limited Tax Bonds, or otherwise held in trust for the payment of debt service on the related Series of Limited Tax Bonds, together with the amount to be extended for collection taking into account the proposed abatement, will be sufficient to provide for the punctual payment of the principal of and interest on the related Series of Limited Tax Bonds for such tax levy years.

The amount of ad valorem taxes that may be extended specifically to pay each Series of Limited Tax Bonds is limited as to amount by the Limitation Law. The Limited Tax Bonds are payable from the “debt service extension base” of the District as provided for in the Debt Reform Act. The debt service extension base is defined in the Limitation Law as an amount equal to that portion of the District’s extension for the 1994 levy year for the payment of principal of and interest on bonds issued by the District without referendum, but not including: (i) any alternate bonds issued under the Debt Reform Act; or (ii) refunding bonds issued to refund bonds initially issued pursuant to referendum. Under legislation enacted in 1997, the Limitation Law was amended so that the issuance of bonds by the District to construct construction projects initiated before October 1, 1991, including the TARP projects, will not reduce the District’s ability to issue limited bonds for other major capital projects. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act” and “DEBT INFORMATION — District’s Debt Service Extension Base Capacity.”

The District’s debt service extension base for the 2024 levy year is \$200,110,034, an amount that can only be increased by referendum, or annually by an amount equal to the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the relevant levy year. The District has covenanted in the related Bond Ordinances that it will not issue any bonds, notes, or other obligations if such issuance would cause the anticipated tax extension for any tax levy year for limited bonds of the District to exceed the then current debt service extension base of the District. The limitations on the extensions of property taxes contained in the Limitation Law do not apply to the taxes levied by the District (i) to pay the principal of and interest on its outstanding general obligation bonds issued prior to March 1, 1995; (ii) to pay the principal of and interest on bonds issued to refund or continue to refund those bonds issued before March 1, 1995; (iii) to pay the principal of and interest on bonds to finance construction projects initiated prior to October 1, 1991 (consisting primarily of the TARP projects as described in APPENDIX B); (iv) to pay interest or principal on bonds issued to refund or continue to refund bonds issued after March 1, 1995 that are approved by referendum; or (v) to pay principal of and interest on alternate bonds.

The Limitation Law limits the annual growth in property tax extensions for the District to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant levy year. Generally, extensions can be increased beyond this limitation to reflect added equalized assessed valuation reflecting new construction within the taxing district or pursuant to a referendum approval of tax or limitation rate increases. In addition, the Limitation Law requires the Cook County Clerk, in extending taxes for taxing districts in the County including the District, to use the EAV (as described and defined below in “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Equalization”) of all property within the taxing district for the levy for which taxes are then being extended.

Upon the issuance of the Limited Tax Bonds, the District will have remaining capacity under its debt service extension base to issue additional limited bonds. The District anticipates issuing additional limited bonds. Further issuance of limited bonds may result in the use of all or a substantial portion of the District’s available debt service extension base.

For additional information, see “DEBT INFORMATION — District’s Debt Service Extension Base Capacity” and “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act.”

### ADDITIONAL FINANCING

#### LONG TERM CAPITAL NEEDS

The District has traditionally financed a substantial portion of its capital projects through the issuance of general obligation indebtedness. The District expects that future capital expenditures will continue to be financed in large part through the issuance of its general obligation indebtedness. There are currently no legislative proposals pending to eliminate or curtail the District’s power to issue its general obligation bonds without voter approval. Legislation has been adopted which extends the existing non-referendum bonding authority of the District through 2034. For a description of the District’s present and potential future capital projects, see “APPENDIX B — CAPITAL IMPROVEMENTS PROGRAM” and “ENVIRONMENTAL MATTERS” herein. The District evaluates on an ongoing basis whether market conditions will enable it to refinance outstanding indebtedness at favorable rates.

#### IEPA PROJECTS

The District is involved in an ongoing program of sewer and treatment plant rehabilitation and expansion projects and stormwater management and flood control projects for which the Illinois Environmental Protection Agency (the “*IEPA*”) has approved partial funding through the State of Illinois Water Pollution Control Revolving Loan Fund (the “*Revolving Loan Fund*”). Under the terms of the Revolving Loan Fund, the District issues preliminary bonds in the amount of interim project loan advances to pay project costs (the “*IEPA Preliminary Bonds*”). The IEPA Preliminary Bonds are funded at project completion by the issuance to the IEPA of general obligation bonds having twenty-year final maturities (“*Capital Improvement Bonds*”). Once repayment begins, the Capital Improvement Bonds amortize over the repayment period with level semi-annual payments of principal and interest. Since its inception, the District has issued IEPA Preliminary Bonds and Capital Improvement Bonds pursuant to various authorizations. Currently, the District has remaining authorization for Capital Improvement Bonds as set forth on the following table:

SERIES	ORIGINAL AUTHORIZATION	REMAINING AUTHORIZED AMOUNT
2016 IEPA Series	\$500,000,000	\$178,100,000
2021 IEPA Series	420,000,000	135,800,000
TOTAL		\$462,300,000

See “DEBT INFORMATION.”

## **METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO**

### **THE DISTRICT**

The District is a sanitary district and a body corporate and politic of the State, organized and existing under the Act. The District is an independent government and taxing body encompassing approximately 93% of the land area and 98% of the assessed valuation of the County. The District was originally organized as the Sanitary District of Chicago in 1889 under an act of the Illinois General Assembly which has been modified from time to time to increase the District's powers and jurisdiction. From 1955 through 1988 the District was called The Metropolitan Sanitary District of Greater Chicago. In order to provide a more accurate description of the District's current functions and responsibilities, the name was changed, effective January 1, 1989, to the Metropolitan Water Reclamation District of Greater Chicago.

The mission of the District is to protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages, and manage water as a vital resource for its service area.

The District is responsible for preventing pollution of Lake Michigan, the source of Chicago's water supply, and treating wastewater to improve the water quality in the Chicago, Des Plaines, Calumet, and Illinois Rivers and all other waterways within its jurisdiction. While it exercises no direct control over wastewater collection and transmission systems maintained by cities, towns, and villages in Cook County, the District does control municipal sewer construction by permits or authorizations. It also provides the main trunk lines for the collection of wastewater from the local systems, and provides facilities for the treatment and disposal of the wastewater products. The District also provides facilities to store, treat, and release combined sewage overflow and stormwater runoff within its jurisdiction. Beginning in 2005, the District was assigned responsibility pursuant to Section 7h of the Act for stormwater management for all of the County, including areas outside of the District's corporate boundaries.

The District is currently undertaking a number of capital projects designed to fulfill its statutory responsibilities. A description of the District's Capital Improvements Program is set forth in APPENDIX B attached hereto.

### **SERVICES**

The District collects wastewater from municipalities in its service area, conveys it to wastewater reclamation plants, provides full secondary treatment, and discharges clean water to local waterways. The District is also responsible for stormwater management for all of the County, including areas outside of the District's corporate boundaries for wastewater services.

As of October 31, 2024, the District serves an area of 882.1 square miles, which includes the City of Chicago and 128 surrounding suburban communities. The District serves an equivalent population of 12.72 million people; 5.19 million real people, a commercial and industrial equivalent of 5.29 million people, and a combined sewer overflow equivalent of 2.24 million people. The District's 560 miles of intercepting sewers and force mains range in size from 6 inches to 27 feet in diameter, and are fed by approximately 10,000 local sewer system connections.

The District's TARP is one of the country's largest public works projects for pollution and flood control. TARP includes four tunnel systems totaling 110 miles of tunnels, 8 to 33 feet in diameter and 150 to 300 feet underground. The four TARP tunnel systems capture and carry combined sewage and stormwater to the Majewski Reservoir near Elk Grove Village, Thornton Composite Reservoir near South Holland, and McCook Reservoir in Bedford Park. The system currently has a capacity of more than 11 billion gallons for combined sewage and stormwater.

The District owns and operates one of the world's largest water reclamation plants, in addition to six other plants and 23 pumping stations. The District treats an average of 1.2 billion gallons of wastewater each day. The District's total wastewater treatment capacity is over 2.0 billion gallons per day.

The District controls approximately 76 miles of navigable waterways, which are part of a national system connecting the Atlantic Ocean and the Great Lakes with the Gulf of Mexico. The District also owns and operates 34 stormwater detention reservoirs to provide regional stormwater flood damage reduction.

#### SUSTAINABILITY

The District was created out of a need to protect the environment, and so it can be said that all District projects are essentially "green" in nature. But for over 130 years, the District's work has supported not only environmental conservation but also social, governance, and other sustainability principles critical to its operations and to the well-being of its residents and communities.

The District's core mission itself is perfectly aligned with the UN's Sustainable Development Goal of Clean Water and Sanitation, but layered over this are additional commitments to sustainability. In 2017, the Board passed a resolution to honor the Paris Agreement by continuing to reduce greenhouse gas emissions to mitigate the effects of climate change. In 2021, the Board adopted the 2021-2025 Strategic Plan to address the varied factors that responsible organizations must consider with respect to sustainability. The Plan includes initiatives to recover and reuse resources, foster equity and diversity, and ensure the District can react, prepare for, and pivot in response to changing operational needs and climate events. A key part of the Plan was the adoption of the District's Climate Action Plan in 2023 to illustrate how the MWRD will lower its carbon footprint over the first half of the 21st century. Along with the District's core mission, these efforts collectively address sustainability in a holistic manner.

#### LABOR

Approximately 783 of the District's employees are represented by one of 16 different unions. These unions collectively comprise seven different bargaining units. The District and the unions representing its employees have enjoyed a long tradition of amicable and professional relations. All seven agreements expired on June 30, 2024, and productive dialogue continues. The District has settled with one union and is currently negotiating successor agreements with the remaining unions, all of which have signed extension agreements as the negotiations are nearing successful conclusion. It is expected that extension agreements will be in place until new successor agreements are reached. Given the maturity of the agreements and long partnerships that exist

between the District and the unions representing its employees, it is expected that successor agreements will cover a three-year contract term with a new expiration date of June 30, 2027. A prevailing wage will be maintained for 316 employees of mostly skilled trades performing similar work, in the Cook County area as determined by the Department of Labor, while the remaining 467 employees are expected to receive wage increases over the anticipated three-year contract term to reflect the District’s pattern of fiscal responsibility while providing fair compensation necessary to provide labor stability.

ADMINISTRATION

The District is governed by a nine-member Board of Commissioners. Commissioners are elected at large and serve on a salaried part-time basis. Three Commissioners are elected every two years for six-year terms. The Board elects a President, Vice President, and Chairman of the Committee on Finance biannually from its membership.

The current Commissioners are:

BOARD OF COMMISSIONERS	YEAR FIRST ELECTED	TERM EXPIRES*
Kari K. Steele, President	2012	2024
Patricia Theresa Flynn, Vice President	2022	2028
Marcelino Garcia, Chairman, Committee on Finance	2018	2024
Precious Brady-Davis	2023	2026
Yumeka Brown	2022	2028
Cameron Davis	2018	2026
Daniel Pogorzelski	2022	2024
Eira L. Corral Sepúlveda	2020	2026
Mariyana T. Spyropoulos	2009	2028

\*as of November 30, 2024

The District’s day-to-day operations are managed by the Executive Director, who is appointed by and reports directly to the Board. With the consent of the Board, eight appointed department heads, the Administrative Services Officer, the Diversity Administrator, and the Public and Intergovernmental Affairs Officer report directly to the Executive Director. The Executive Director is responsible for administering board policies, as well as preparing and implementing the District’s annual budget and long-range plan. The Treasurer of the District, its chief financial officer, is also appointed by and reports directly to the Board. The Treasurer is responsible for the District’s financial planning and investment management. The Board appoints a Civil Service Board that has statutory responsibilities for the District’s classified service employees.

Mr. Brian Perkovich was appointed Executive Director in December 2018. Mr. Perkovich began his career at the District in 1993 and led operations at the Egan Water Reclamation Plant (WRP) in Schaumburg and at the Hanover Park WRP before being promoted to lead operations at the Calumet WRP in Chicago in 2005. Mr. Perkovich is a member of the National Association of



Clean Water Agencies (NACWA) Board, past president of the Illinois Association of Wastewater Agencies (IAWA), and is a member of the Water Environment Federation (WEF). He was honored in 2024 with the IAWA Illinois leadership award. He received his Bachelor of Science degree in Civil Engineering from the University of Illinois at Urbana-Champaign and his Master’s degree in Business Administration in Finance from DePaul University.

Mr. Steven Lux was appointed Treasurer of the District by the Board on June 6, 2024. Mr. Lux served as the Chief Financial Officer of the Chicago Park District for 11 years prior to assuming his current position. Mr. Lux has over 35 years of experience in various finance and accounting roles and holds a Bachelor of Science in Accountancy from the University of Illinois at Urbana-Champaign.

The District’s other principal officers report to the Executive Director.

OTHER PRINCIPAL OFFICERS	TITLE	DEPARTMENT
Allison Fore	Public and Intergovernmental Affairs Officer	General Administration
Darlene A. LoCascio	Director of Procurement and Materials Management	Procurement and Materials Management
Susan T. Morakalis	General Counsel	Law
John Murray	Director of Maintenance and Operations	Maintenance and Operations
Catherine A. O’Connor, Ph.D., P.E.	Director of Engineering	Engineering
Edward W. Podczerwinski, P.E.	Director of Monitoring and Research	Monitoring and Research
Shellie A. Riedle	Administrative Services Officer	General Administration
Thaddeus J. Kosowski	Director of Human Resources	Human Resources
Sean Kelly	Director of Information Technology	Information Technology
Jacqueline Torres	Clerk/Director of Finance	Finance

The departments have responsibility for the following activities:

*Engineering Department* – This department conducts and/or supervises: facilities planning, design and construction inspection for the District, including new WRP processes; rehabilitation, alteration, and expansion of existing plants; the District’s TARP; flood control reservoirs; construction of new and upgrading of existing sewer lines and pumping stations; solids management and disposal; and stormwater management activities, including green infrastructure, within Cook County. The department provides liaison with the United States Environmental Protection Agency (USEPA), the Illinois Environmental Protection Agency, and the U.S. Army Corps of Engineers; evaluates compliance with directives; applies for construction project state revolving fund loans, state and federal grants and other sources of financing; and provides coordination with other local governmental agencies, including county, township, and municipal agencies.

*Maintenance and Operations Department* – The responsibilities of this department include: protecting the water quality of Lake Michigan, which is the major water supply of the Chicago area; intercepting and treating domestic and industrial wastewater to minimize pollution of the waterways; and operating and maintaining all the facilities of the District. The performance of the above responsibilities produces a high-quality treatment plant effluent in compliance with the National Pollutant Discharge Elimination System Permits, provides for the proper utilization of the solids that are recovered from the various treatment processes, and controls collection facilities and the TARP to minimize combined sewer overflows and treatment plant bypasses. The department has the added responsibilities of operating and maintaining flood control reservoirs to handle stormwater run off, operating and maintaining waterway aeration stations and Sidestream Elevated Pool Aeration Stations for the maintenance of water quality dissolved oxygen standards, maintaining a program of debris clearance from the waterways, controlling the state allocated Lake Michigan diversion and operating and maintaining the hydroelectric Lockport powerhouse, which generates revenue estimated at \$1.2 million per year for the District.

*Monitoring and Research Department* – This department provides accredited laboratory analytical services to support operations process control, engineering design, the industrial waste program, and various research and monitoring programs. The department conducts ongoing research in wastewater treatment, stormwater management, biosolids utilization, and related fields; monitors WRP operations, effluent quality, and biosolids utilization for compliance with federal and state permits; monitors water quality of the Chicago area waterways for compliance with federal and state water quality standards; monitors groundwater in vicinity of TARP tunnels and reservoirs and biosolids drying sites for environmental impacts; facilitates long-term process facility capital planning and conducts planning project studies; and administers the Sewage and Waste Control Ordinance and User Charge Ordinance for compliance with Clean Water Act requirements and USEPA regulations, as well as the Resource Recovery Ordinance.

*Law Department* – The Department provides legal counsel to the District, works with other departments to implement initiatives and ensures compliance with laws, regulations, and ordinances applicable to the District including legislative interests in the Illinois General Assembly.

*Human Resources Department* – This department is responsible for providing effective human resources management programs and services that align with the District’s mission. These core programs include: recruitment and selection, employee training and development, performance management, compensation and benefits, labor and employee relations, risk management and safety.

*Procurement and Materials Management Department* – This department is responsible for procuring all construction, materials and services in compliance with the Purchasing Act of the District. The department also operates four major storerooms at the District facilities providing planning, receiving, storing and issuing of materials utilized primarily by the Maintenance and Operations department. The department is also responsible for the sale of obsolete, used and surplus materials.

*Information Technology Department* – The mission of the Information Technology Department is to align information technology with the stated goals and objectives of the District

and to maintain the technology infrastructures and architectures at levels that promote productivity and efficiency throughout the District. In pursuit of this mission, the ITD coordinates the planning and implementation of information technology throughout the District. In addition, ITD establishes District wide computer standards, monitors and oversees computer security, and provides support for numerous District wide applications. The ITD provides information technology services in the following key areas: Planning and Program Management, Design and Implementation, Applications Development and Support, Infrastructure Operations and Maintenance, User Support and Customer Satisfaction, and Security and Disaster Recovery.

*Finance Department* – This department is responsible for processing and reporting financial transactions and preparing the District’s Annual Comprehensive Financial Report. Additionally, the department is responsible for creating the agenda, minutes, and maintaining official records of the Board of Commissioner’s legislative actions, pursues revenue collections and pays obligations of the District in compliance with relevant statutes, professional standards, and District policy.

*General Administration* – This organizational unit includes the Office of the Executive Director, the Administrative Services Division, and Diversity and Public Affairs Sections. The Office of the Executive Director has overall administrative responsibility for the District. The Administrative Services Division provides centralized support services across departmental lines, such as central budget preparation and administration, fiscal planning, organizational studies, police services and Main Office Complex building administration. The Diversity Section administers the Affirmative Action ordinance to provide opportunities for protected class enterprises in the District’s purchasing process. The Public Affairs Section provides public and employee understanding of District functions and activities using a variety of tools, including electronic and print media, public outreach campaigns, social media postings, tours, events, and employee newsletters.

## ECONOMIC CONDITION AND OUTLOOK

The District encompasses approximately 93% of the land area and 98% of the assessed valuation of the County. As the largest of 102 counties in the State, the County is the economic and cultural hub of the State, and is central to the third largest metropolitan area in the nation after New York and Los Angeles. The County is the most populous county in the State and represents approximately 40.5% of the State’s population based on the July 1, 2023, estimates of the U.S. Census Bureau.

The County is a diverse industrial center and a leading economic center of the Midwest. Income figures for the County exceed State and national rates according to the U.S. Bureau of Economic Analysis’s data; the County’s 2022 per capita personal income of \$72,847 exceeded the State’s \$67,655.

The County’s industrial profile resembles that of the U.S., with a slightly larger services sector and somewhat smaller governmental presence. The County has a strong transportation network, including two international airports (O’Hare International Airport and Midway International Airport). Leading service sector industries in the County include health care and related services. Twenty Fortune 500 companies have their headquarters located in the County.

## RECENT FINANCIAL INFORMATION

The General Corporate Fund is the principal operating fund of the District. The District's General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions. It includes annual property taxes and other revenues which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund's fund balance at the end of fiscal year 2023 totaled \$490,099,000, an increase of approximately \$71,898,000 from that of fiscal year 2022. The fund balance represented 119% of the General Corporate Fund expenditures in fiscal year 2023, a good indication of the fund's liquidity. For information on the audited financial statements, please see "APPENDIX A — BASIC FINANCIAL STATEMENTS."

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GENERAL CORPORATE FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

(amounts in thousands)

	2019	2020	2021	2022	2023	2023 Percent of Total
<b>Revenues:</b>						
Property taxes	\$215,370	\$251,808	\$279,554	\$241,727	\$327,428	63.7%
Personal property replacement tax <sup>(1)</sup>	27,385	22,528	53,173	126,312	77,136	15.0%
Total tax revenue	<u>242,755</u>	<u>274,336</u>	<u>332,727</u>	<u>368,039</u>	<u>404,564</u>	<u>78.7%</u>
Interest on investments	6,843	2,802	1,294	(336)	17,847	3.5%
Land sales	3,073	52	4	-	-	0.0%
Lease revenue and related interest				21,316	22,476	4.4%
Tax increment financing distributions	10,345	18,520	18,125	15,455	12,273	2.4%
Claims and damage settlements	415	44	23	137	84	0.0%
Miscellaneous	4,981	3,810	3,602	4,074	1,842	0.4%
User charges	48,526	47,216	39,189	35,937	41,890	8.2%
Land rentals	24,827	25,044	26,760	17,402	9,479	1.8%
Fees, forfeits and penalties	2,628	2,541	3,238	3,356	3,255	0.6%
Grants	77	207	331	208	118	0.0%
Total revenues	<u>\$344,470</u>	<u>\$374,572</u>	<u>\$425,293</u>	<u>\$465,588</u>	<u>\$513,828</u>	<u>100.0%</u>
<b>Expenditures by Department:</b>						
Board of Commissioners	4,396	4,491	4,099	4,392	4,673	1.1%
General Administration	16,923	17,417	17,055	17,460	19,651	4.8%
Monitoring and Research	30,325	30,090	30,416	30,792	31,955	7.8%
Procurement and Materials Management	5,705	5,996	6,037	6,088	6,246	1.5%
Human Resources	53,668	51,079	54,116	57,199	57,539	14.0%
Information Technology	15,585	15,117	15,761	18,056	19,677	4.8%
Law	6,134	6,121	6,441	7,003	7,081	1.7%
Finance	3,592	3,537	3,331	3,655	3,846	0.9%
Engineering	23,528	22,876	22,681	23,284	23,545	5.7%
Maintenance and Operations	190,950	188,562	197,518	210,536	234,606	57.0%
Claims and judgments	4,547	2,652	4,276	4,335	3,111	0.8%
Total expenditures	<u>\$355,353</u>	<u>\$347,938</u>	<u>\$361,731</u>	<u>\$382,800</u>	<u>\$411,930</u>	<u>100.0%</u>
Revenues over (under) expenditures	<u>(10,883)</u>	<u>26,634</u>	<u>63,562</u>	<u>82,788</u>	<u>101,898</u>	
<b>Other financing sources (uses):</b>						
Transfers in (out)	<u>4,200</u>	<u>(6,000)</u>		<u>(30,000)</u>	<u>(30,000)</u>	
Revenues and other financing sources (uses) over (under) expenditures	<u>(6,683)</u>	<u>20,634</u>	<u>63,562</u>	<u>52,788</u>	<u>71,898</u>	
Fund balance at beginning of the year	284,542	277,859	298,493	365,413	418,201	
Fund balance at end of year	<u>\$277,859</u>	<u>\$298,493</u>	<u>\$362,055</u>	<u>\$418,201</u>	<u>\$490,099</u>	
<b>Expenditures by Type</b>						
<b>Total all departments:</b>						
Employee cost	\$234,785	\$234,272	\$233,032	\$238,889	\$246,904	59.9%
Energy cost	41,818	38,077	36,373	41,443	51,910	12.6%
Chemicals	9,943	8,155	10,458	11,766	15,501	3.8%
Solids disposal	13,940	17,314	16,751	17,761	19,413	4.7%
Repair to structures/equipment	17,201	14,758	22,168	26,719	26,986	6.6%
Materials, parts and supplies	11,156	11,285	13,470	14,350	16,892	4.1%
Insurance	2,974	3,571	3,583	4,072	4,469	1.1%
Professional services	3,500	3,642	4,152	4,656	5,227	1.3%
Claims and judgments	4,547	2,652	4,276	4,335	3,111	0.8%
All other	15,489	14,212	17,468	18,809	21,517	5.2%
<b>Total Expenditures General Corporate Fund</b>	<u>\$355,353</u>	<u>\$347,938</u>	<u>\$361,731</u>	<u>\$382,800</u>	<u>\$411,930</u>	<u>100.0%</u>

Source: Amounts are presented on a GAAP basis. The actual results for Revenues and Expenditures by Department were obtained from Exhibit A-2 of the District's Basic Financial Statements. The actual results for Expenditures by Type were obtained from the Comparative Expenditures Schedule for the General Corporate Fund in the District's Management's Discussion & Analysis section. See the District's Basic Financial Statements attached hereto as Appendix A.

Note: The General Corporate Fund Balance is made up of the Corporate, Reserve Claim, and Corporate Working Cash Funds and is presented on a GAAP basis of accounting.

(1) Personal Property Replacement Taxes are collected by the State and are not subject to appropriation by the General Assembly and are a required continuing distribution.

## GENERAL CORPORATE FUND BALANCE

The year-end 2023 balance is \$490.1 million or 119% of corporate expenditures. This level of fund balance should ensure the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls, and provide time to adjust budget and operations.

<b>General Corporate Fund Balance<sup>(1)</sup></b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Year End Balance (on GAAP Basis)	\$277.9	\$298.5	\$365.4	\$418.2	\$490.1

(1) The General Corporate Fund Balance is made up of the Corporate, Reserve Claim, and Corporate Working Cash Funds and is presented on a GAAP basis of accounting. See the District's Basic Financial Statements attached hereto as Appendix A.

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## DEBT INFORMATION

The following tables set forth direct and overlapping debt applicable to the District as of December 1, 2024, and excluding payments to be made on December 1, 2024, adjusted to include the Bonds and exclude the Refunded Bonds.

### DIRECT DEBT (IN 000'S)

	AMOUNT
IEPA Preliminary Bonds <sup>(1)</sup>	\$ 26,558,300
General Obligation Bonds Outstanding (includes IEPA Final Bonds) <sup>(1)(2)</sup>	2,430,261,774
Less: Refunded Bonds	
Plus: 2024A Bonds	
2024B Bonds	
2024C Bonds	
2024D Bonds	
2024E Bonds	
Total for the Bonds	0
Total Direct Debt	\$2,456,820,074

(1) The 2016E Bonds, which are included in “General Obligation Bonds Outstanding” for purposes of this table, the 2014 IEPA Bonds, which are included in “IEPA Preliminary Bonds” for purposes of this table and the 2024E Bonds are “alternate bonds.” Alternate bonds do not constitute indebtedness of the District for the purpose of any debt limitation unless, and to the extent that, the taxes levied with respect to such bonds are extended for collection by the County Clerk.

### ESTIMATED OVERLAPPING BONDED DEBT <sup>(1)</sup>

	BONDED DEBT <sup>(2)</sup>	PERCENT APPLICABLE	AMOUNT APPLICABLE
City of Chicago	\$5,841,968,434	100.0%	\$5,841,968,434
City Colleges (District 508) <sup>(2)</sup>	264,520,000	100.0%	264,520,000
Chicago Board of Education <sup>(2)(3)</sup>	9,309,713,817	100.0%	9,309,713,817
Chicago Park District <sup>(2)</sup>	864,390,000	100.0%	864,390,000
Cook County	2,093,131,750	98.26%	2,056,711,258
Cook County Forest Preserve District	87,340,000	98.26%	85,820,284
Total Overlapping Debt			18,423,123,793
Total Direct and Overlapping Debt			20,879,943,867
2023 Population <sup>(4)</sup>			5,078,985
2023 Equalized Assessed Valuation			195,688,303,770
2019 Estimated Full Market Value <sup>(5)</sup>			634,876,257,000

Source: Each of the respective taxing districts, current as of 9/30/2024.

- (1) Excludes outstanding tax anticipation notes and warrants. Except as stated, does not include debt issued by other taxing authorities located in Cook County.
- (2) Includes long-term general obligation debt, of which a portion has only a GO pledge, and a portion are alternate revenue bonds.
- (3) Includes responsibility for principal amounts of bonds issued by the Public Building Commission.
- (4) Source of data: U.S. Census of Population.
- (5) Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue).

These governmental entities above operate as separate, independent units of governments and have authority to issue bonds and levy taxes on real estate within the jurisdictional limits of the District (the “*Overlapping Tax Bodies*”). Certain of these governmental entities are experiencing serious financial challenges including budget deficits, increasing debt and significant pension liabilities. See “OTHER LOCAL GOVERNMENTAL UNITS.”

SELECTED DEBT RATIOS

	PER CAPITA <sup>(1)</sup>	% OF EQUALIZED ASSESSED VALUE <sup>(2)</sup>	% OF ESTIMATED FULL VALUE <sup>(3)</sup>
Direct Debt .....	\$ 483.72	1.26%	0.39%
Total Direct and Overlapping Debt <sup>(4)</sup> .....	\$4,111.05	10.67%	3.29%

(1) 2023 Cook County Population: 5,078,985 (source of data: U.S. Census of Population).

(2) 2023 Equalized Assessed Value: \$195,688,303,770.

(3) 2019 Estimated Full Value: \$634,876,257,000

(4) Does not include debt issued by other taxing authorities located in Cook County which are not also included under table entitled "Estimated Overlapping Bonded Debt" above.

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GENERAL OBLIGATION BONDED DEBT SCHEDULE (UNAUDITED)

(As of December 1, 2024)\*

Series	Principal Outstanding
<b>Capital Improvement Bonds</b>	
August, 2009 Limited	\$ 600,000,000
2014 Limited C	48,470,000
2016 Unlimited C	30,000,000
2016 Limited D	14,280,000
2016 Unlimited Alternate Revenue E <sup>(1)</sup>	46,455,000
2016 Limited F	4,000,000
2021 Limited A	113,935,000
2021 Unlimited B	30,000,000
2024 Limited A	
2024 Unlimited B	
<b>Total Capital Improvement Bonds</b>	\$ 887,140,000
<b>IEPA Revolving Loan Fund Bonds<sup>(2)</sup></b>	784,416,774
<b>Refunding Bonds</b>	
March, 2007 Unlimited B	91,845,000
March, 2007 Limited C	101,860,000
2016 Unlimited A	228,780,000
2016 Limited B	32,890,000
2021 Limited C	116,205,000
2021 Unlimited D	31,555,000
2021 Unlimited E	112,485,000
2021 Unlimited Alternate Revenue F	43,085,000
2024 Limited C	
2024 Unlimited D	
2024 Unlimited Alternate Revenue E	
<b>Total Refunding Bonds</b>	758,705,000
<b>Total General Obligation Bonds Outstanding</b>	\$2,430,261,774

Note: Does not give effect to the issuance of the Bonds and the refunding of the Refunded Bonds.

- (1) The 2016E Bonds, 2021F Bonds, and 2024E Bonds are "alternate bonds" and, as such, do not constitute indebtedness of the District for the purpose of any debt limitation unless, and to the extent that, the ad valorem property taxes levied with respect to such bonds are extended for collection by the County Clerk.
- (2) Excludes approximately \$26.6 million of Preliminary Bond Principal and Accrued Interest outstanding under the IEPA Revolving Loan Fund Program. If the Preliminary Bond Principal and Accrued Interest were bonded on September 30, 2024, the additional debt service would be approximately \$1.7 million per year through levy year 2044.

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\* Includes payments due on December 1, 2024.

GENERAL OBLIGATION BONDED DEBT SERVICE SCHEDULE

(As of December 1, 2024)\*\*

YEAR	BONDS OUTSTANDING <sup>(1)</sup>			THE BONDS			AGGREGATE			% PRINCIPAL RETIRED	
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	ANNUAL	CUMULATIVE
2025	\$138,480,750	\$ 96,140,156	\$ 234,620,906				\$ 138,480,750	\$ 96,140,156	\$ 234,620,906	5.7%	5.7%
2026	139,953,939	91,761,627	231,715,565				139,953,939	91,761,627	231,715,565	5.8%	11.5%
2027	154,912,359	87,400,398	242,312,757				154,912,359	87,400,398	242,312,757	6.4%	17.8%
2028	157,619,558	82,662,926	240,282,484				157,619,558	82,662,926	240,282,484	6.5%	24.3%
2029	160,633,887	77,622,505	238,256,392				160,633,887	77,622,505	238,256,392	6.6%	30.9%
2030	161,681,577	72,143,656	233,825,233				161,681,577	72,143,656	233,825,233	6.7%	37.6%
2031	170,731,283	66,437,565	237,168,848				170,731,283	66,437,565	237,168,848	7.0%	44.6%
2032	166,665,554	60,019,580	226,685,133				166,665,554	60,019,580	226,685,133	6.9%	51.5%
2033	171,896,272	54,230,567	226,126,840				171,896,272	54,230,567	226,126,840	7.1%	58.5%
2034	183,810,070	46,807,258	230,617,328				183,810,070	46,807,258	230,617,328	7.6%	66.1%
2035	192,649,510	37,907,173	230,556,683				192,649,510	37,907,173	230,556,683	7.9%	74.0%
2036	158,442,475	28,526,087	186,968,562				158,442,475	28,526,087	186,968,562	6.5%	80.5%
2037	152,873,824	20,967,550	173,841,375				152,873,824	20,967,550	173,841,375	6.3%	86.8%
2038	165,654,290	13,608,125	179,262,415				165,654,290	13,608,125	179,262,415	6.8%	93.7%
2039	23,222,467	5,542,637	28,765,104				23,222,467	5,542,637	28,765,104	1.0%	94.6%
2040	17,288,059	4,995,184	22,283,243				17,288,059	4,995,184	22,283,243	0.7%	95.3%
2041	17,015,735	4,505,860	21,521,595				17,015,735	4,505,860	21,521,595	0.7%	96.0%
2042	11,247,113	4,018,002	15,265,116				11,247,113	4,018,002	15,265,116	0.5%	96.5%
2043	9,730,071	3,663,647	13,393,719				9,730,071	3,663,647	13,393,719	0.4%	96.9%
2044	15,187,981	3,322,230	18,510,210				15,187,981	3,322,230	18,510,210	0.6%	97.5%
2045	32,080,000	2,702,100	34,782,100				32,080,000	2,702,100	34,782,100	1.3%	98.8%
2046	4,295,000	1,139,400	5,434,400				4,295,000	1,139,400	5,434,400	0.2%	99.0%
2047	4,465,000	967,600	5,432,600				4,465,000	967,600	5,432,600	0.2%	99.2%
2048	4,645,000	789,000	5,434,000				4,645,000	789,000	5,434,000	0.2%	99.4%
2049	4,830,000	603,200	5,433,200				4,830,000	603,200	5,433,200	0.2%	99.6%
2050	5,025,000	410,000	5,435,000				5,025,000	410,000	5,435,000	0.2%	99.8%
2051	5,225,000	209,000	5,434,000				5,225,000	209,000	5,434,000	0.2%	100.0%
2052											
2053											
	<u>\$2,430,261,774</u>	<u>\$869,103,033</u>	<u>\$3,299,364,807</u>				<u>\$2,430,261,774</u>	<u>\$869,103,033</u>	<u>\$3,299,364,807</u>	<u>100.0%</u>	

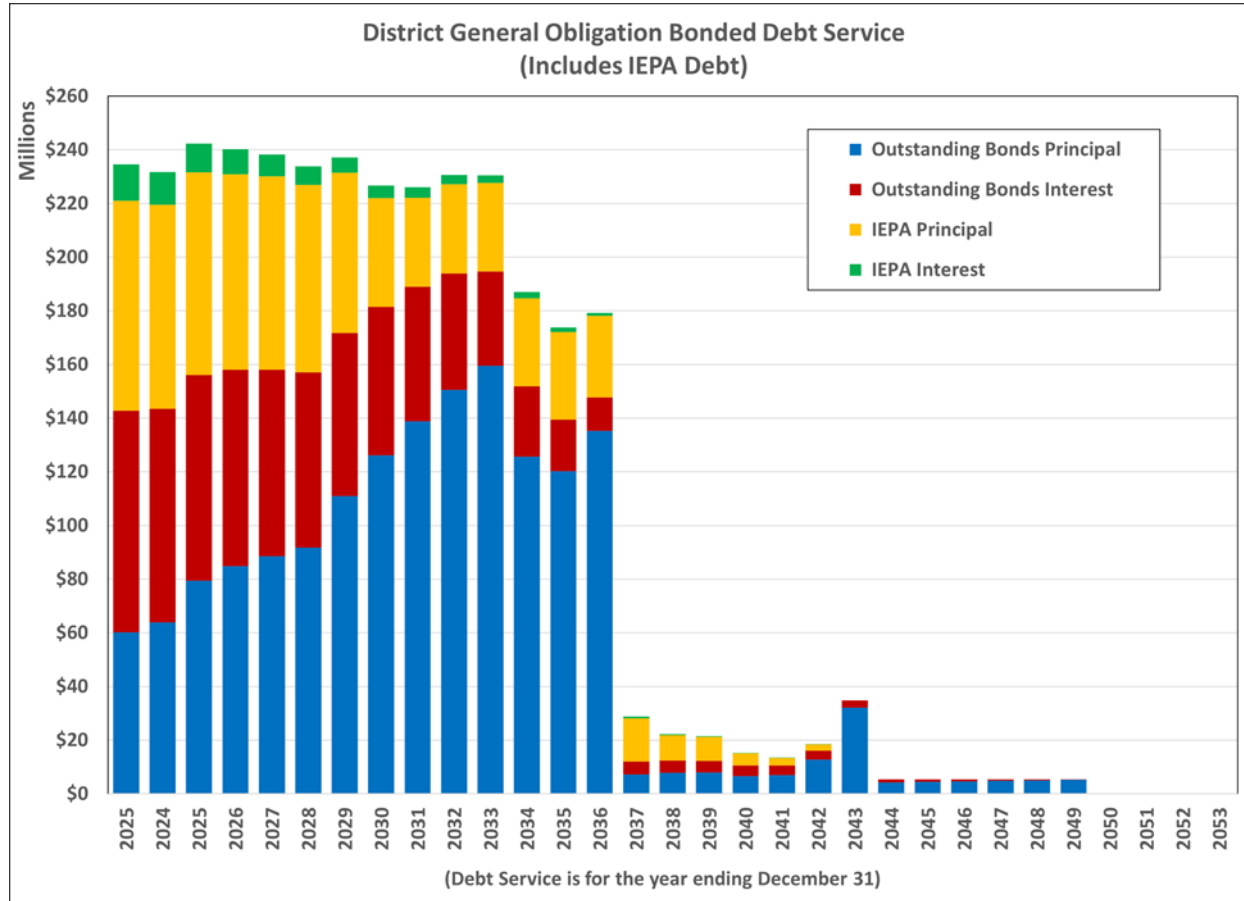
(1) Excludes approximately \$26.6 million of Preliminary Bond Principal and Accrued Interest outstanding under the IEPA Revolving Loan Fund Program. If the Preliminary Bond Principal and Accrued Interest were bonded on September 30, 2024, the additional debt service would be approximately \$1.7 million per year through levy year 2044.

\*\* Includes payments due on December 1, 2024.

DISTRICT GENERAL OBLIGATION BONDED DEBT SERVICE

(Includes IEPA Debt)

(As of December 1, 2024, including the Refunded Bonds and excluding the Bonds)\*



\* Preliminary, subject to change.

DISTRICT’S DEBT SERVICE EXTENSION BASE CAPACITY

(As of December 1, 2024, adjusted to include the Limited Tax Bonds and exclude the Series 2014C Refunded Bonds)

The following table sets forth the capacity of the Debt Service Extension Base of the District to cover debt service on future limited bonds. The total applicable debt service levy excludes payments due on December 1, 2024.

TAX LEVY YEAR	LEVY FOR OUTSTANDING LIMITED TAX BONDS <sup>(1)(2)</sup>	AGGREGATE LEVY FOR THE LIMITED TAX BONDS*	TOTAL APPLICABLE DEBT SERVICE LEVY*	DEBT SERVICE EXTENSION BASE <sup>(3)</sup>	REMAINING CAPACITY*
2024	\$161,203,585		\$161,203,585	\$200,110,034	\$38,906,449
2025	157,757,347		157,757,347	200,110,034	42,352,687
2026	156,167,310		156,167,310	200,110,034	43,942,724
2027	156,048,327		156,048,327	200,110,034	44,061,707
2028	155,803,885		155,803,885	200,110,034	44,306,149
2029	154,282,391		154,282,391	200,110,034	45,827,643
2030	145,362,741		145,362,741	200,110,034	54,747,293
2031	143,371,556		143,371,556	200,110,034	56,738,478
2032	159,813,490		159,813,490	200,110,034	40,296,544
2033	160,610,547		160,610,547	200,110,034	39,499,487
2034	159,224,295		159,224,295	200,110,034	40,885,739
2035	161,237,774		161,237,774	200,110,034	38,872,260
2036	155,201,873		155,201,873	200,110,034	44,908,161
2037	153,121,877		153,121,877	200,110,034	46,988,157
2038	11,178,951		11,178,951	200,110,034	188,931,083
2039	11,123,686		11,123,686	200,110,034	188,986,348
2040	10,751,670		10,751,670	200,110,034	189,358,364
2041	9,076,838		9,076,838	200,110,034	191,033,196
2042	8,078,264		8,078,264	200,110,034	192,031,770
2043	6,660,930		6,660,930	200,110,034	193,449,104
2044	5,434,600		5,434,600	200,110,034	194,675,434
2045	5,434,400		5,434,400	200,110,034	194,675,634
2046	5,432,600		5,432,600	200,110,034	194,677,434
2047	5,434,000		5,434,000	200,110,034	194,676,034
2048	5,433,200		5,433,200	200,110,034	194,676,834
2049	5,435,000		5,435,000	200,110,034	194,675,034
2050	5,434,000		5,434,000	200,110,034	194,676,034
2051	-		-	200,110,034	
2052	-		-	200,110,034	
2053	-		-	200,110,034	

- (1) Reflects all payments on “limited bonds” for the 2024 levy year.
- (2) Excludes approximately \$26.6 million of Preliminary Bond Principal and Accrued Interest outstanding under the IEPA Revolving Loan Fund Program. If the Preliminary Bond Principal and Accrued Interest were bonded on September 30, 2024, the additional debt service to be added to this schedule would be approximately \$1.7 million per year through levy year 2044.
- (3) Debt Service Extension Base (DSEB) and Remaining Capacity are for the 2024 levy year; as described in “SECURITY FOR THE BONDS,” the DSEB is increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index.

\* Preliminary, subject to change.

## AVAILABILITY PAYMENT ARRANGEMENT

In December 2000, the Board authorized the District to enter into a long-term contract with a contractor to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District's Stickney WRP and beneficially use the final product for a period of 20 years. The contractor obtained its own financing to design, build, and own the facility.

The cost of the biosolids processing facility is considered an availability payment arrangement since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments are estimated at \$83 million for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. The future minimum payments are approximately \$4.4 million for each of the years 2024-2028 with a final \$1.9 million payment in the last year of the arrangement, 2029. The contract expires 20 years from the date of commercial operation, which was declared in July 2010. Under Illinois law the arrangement constitutes indebtedness includible within the District's 5.75% general debt limit, but is not includible in the District's 3.35% non-referendum bonded debt limit.

## DEBT LIMITS AND BORROWING AUTHORITY

The Illinois General Assembly establishes the statutory debt limitations and borrowing authority of the District. Currently, such limits and authority are as follows:

*Corporate Fund:* To defray current operating expenses, the District may fund up to 100% of the aggregate total of the estimated amount of taxes levied or to be levied for corporate purposes plus the Corporate Fund portion of the Personal Property Replacement Tax allocation certified for distribution during the budget year through borrowing from the Corporate Working Cash Fund and issuance of tax anticipation notes or warrants.

*Corporate Working Cash Fund:* The fund may be used solely for the financing of Corporate Fund operations. The amount of non-referendum Corporate Working Cash Fund Bonds, which when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. The District does not currently have any Corporate Working Cash Fund bonds outstanding.

*Construction Fund:* The Illinois General Assembly has adopted legislation allowing the District to levy property taxes to fund construction of District facilities. In any tax year, the Construction Fund may borrow through the issuance of its tax anticipation notes or warrants plus loans from the Construction Working Cash Fund up to the aggregate total of 100% of its estimated or actual extended tax levy plus 100% of the Construction Fund allocation of the estimated Personal Property Replacement Tax distribution to be received in that tax year.

*Construction Working Cash Fund:* The fund may be used solely for the financing of Construction Fund operations. The maximum permitted balance, and the maximum amount of

bonds which are authorized to be issued to provide such balance, is the total of 90% of the maximum permissible Construction Fund Tax Levy plus 90% of the last known Construction Fund entitlement to the Personal Property Replacement Tax. The District does not currently have any Construction Working Cash Fund bonds outstanding.

*Capital Improvement Bonds:* The maximum amount of non-referendum Capital Improvement Bonds which may be outstanding at any one time is 3.35% of the last known equalized assessed valuation of taxable property within the District. The Act authorizes the District to issue Capital Improvement Bonds through December 31, 2034. At December 1, 2024, the District's outstanding capital improvement and refunding bonds (excluding IEPA Revolving Loan Fund Bonds and alternate bonds) of \$1,645,845,000 did not exceed the limitation of \$6,555,558,000.

*Stormwater Management Fund:* To meet ordinary disbursements for salaries and other stormwater purposes, the District may fund up to 100% of the total estimated amount of taxes to be levied for stormwater purposes through borrowings from the Stormwater Working Cash Fund. The District may issue bonds under Section 9.6a of the Act for purposes of funding stormwater management projects.

*Stormwater Working Cash Fund:* The fund may be used solely for the financing of stormwater management fund operations. The District may transfer funds into the stormwater working cash fund, in an amount not to exceed 100% of the amount produced by multiplying the maximum tax rate permitted for stormwater purposes by the last known assessed valuation of all taxable property within the territorial boundaries of the District, as equalized and determined for state and local taxes.

*Personal Property Replacement Tax Anticipation Notes:* Pursuant to 50 Illinois Compiled Statutes 420/4.1(e) General Obligation Personal Property Replacement Tax Anticipation Notes may be issued in anticipation of receipt of such taxes, in an amount not to exceed 75% of the last known certified Personal Property Replacement Tax entitlement less the aggregate amount of such entitlement which the governing body estimates will be required to be set aside for the payment of the proportional amount of debt service and pension or retirement obligations as required by Section 12 of "An Act in relation to State revenue sharing with local government entities", approved July 31, 1969, as amended. The District does not currently have any General Obligation Personal Property Replacement Tax Anticipation Notes bonds outstanding.

*District Debt Limitation:* The maximum amount of debt which the District may have outstanding at any time is 5.75% of the last known equalized assessed valuation of taxable property within the District. See "Calculation of Statutory Debt Margin" below.

The 2016E Bonds, the 2021F, the 2024E Bonds and the 2014 IEPA Bonds are alternate bonds. Alternate bonds are payable from pledged revenues and do not constitute an indebtedness of the District within the meaning of any constitutional or statutory limitation, unless the taxes have been extended pursuant to the general obligation, full faith and credit promise supporting the alternate bonds, in which case the amount of the outstanding alternate bonds will be included in the computation of indebtedness of the District for purposes of all statutory provisions or

limitations until such time as an audit of the District shows that the alternate bonds have been paid from the pledged revenues for a complete fiscal year.

The foregoing are impacted by the Limitation Law. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act.”

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CALCULATION OF STATUTORY DEBT MARGIN <sup>(1)</sup>

(amounts in thousands)

	December 31,				
	2023	2022	2021	2020	2019
<b>Equalized Assessed Valuation .....</b>	\$195,688,304	\$181,643,464	\$172,735,190	\$170,892,724	\$164,054,704
<b>Statutory Debt Limit<sup>(2)</sup> .....</b>	11,252,077	10,444,499	9,932,273	9,826,332	9,433,145
<b>Calculation of Debt Applicable to Debt Limit:</b>					
Bonded Indebtedness					
Principal Amount of Bonds Outstanding .....	2,517,556	2,637,381	2,759,628	2,694,934	2,800,782
Less: Alternate Bonds <sup>(3)</sup> .....	(132,707)	(137,812)	(136,823)	(98,101)	(99,253)
Adjusted Principal Amount of Bonds Outstanding .....	2,384,849	2,499,569	2,622,805	2,596,833	2,701,529
Bond Anticipation Notes <sup>(4)</sup> .....	42,786	18,942	47,964	76,035	27,275
Capital lease .....	20,966	24,262	27,405	30,401	33,257
Liabilities of Tax Financed Funds	61,159	53,115	45,310	36,953	35,218
Total Debt .....	2,509,760	2,595,888	2,743,484	2,740,222	2,797,279
Less: applicable assets:					
Debt Service Funds Cash and Investments .....	105,094	43,345	96,193	91,295	87,040
Interest Payable in the Next 12 Months .....	(99,859)	(103,862)	(107,212)	(109,380)	(112,942)
Total Applicable Assets .....	5,235	(60,517)	(11,019)	(18,085)	(25,902)
<b>Net Debt Applicable to Debt Limit</b>	<b>2,504,525</b>	<b>2,656,405</b>	<b>2,754,503</b>	<b>2,758,307</b>	<b>2,823,181</b>
<b>Statutory Debt Margin .....</b>	<b>\$8,747,552</b>	<b>\$7,788,094</b>	<b>\$7,177,770</b>	<b>\$7,068,025</b>	<b>\$6,609,964</b>

(1) The table does not reflect the issuance of the Bonds or the refunding of the Refunded Bonds.

(2) 5.75% of equalized assessed valuation.

(3) Alternate bonds do not constitute indebtedness of the District for the purpose of the District's statutory debt limitation unless, and to the extent that, the taxes levied with respect to such bonds are extended for collection by the County Clerk.

(4) Consists of IEPA Preliminary Bonds.

**CASH MANAGEMENT**

**CORPORATE WORKING CASH FUND**

The delay of more than a year between appropriations and tax collections requires the District to provide interim financing for its corporate operations. A 1983 statutory change in the working cash fund's maximum limitation permitted expansion of the fund thereby allowing the District to use it as the sole outside source for funding corporate operating needs and making the future issuance of tax anticipation notes unnecessary. As of the date of this Official Statement, the District has no corporate notes outstanding.

By law, working cash funds are non-appropriable and all loans to the Corporate Fund must be repaid with tax receipts from the year against which such funds were borrowed, and any other available property tax and Personal Property Replacement Tax revenues received in the year. Illinois law provides that working cash fund loans not repaid within the second budget year following the year in which the loans were made shall be general obligations of the Corporate Fund which must be repaid.



## DEBT SERVICE FUNDS

For accounting and legal purposes, the District has created and maintains a debt service fund with sub funds for each issue of its bonds. Amounts credited to the District's various debt service funds are invested on a consolidated basis; but such investments and earnings thereon are recorded in the appropriate investment inventory of the applicable fund. Payment of principal of and interest on each issue of the District's bonds is made directly from the applicable debt service fund.

Property taxes collected are allocated among the debt service funds to achieve total distribution to each in the proportion of its levy to the total levy in that year for debt service. Distributions of Personal Property Replacement Tax revenue are credited to the District's Retirement Fund (as hereafter defined) as required by statute, the Corporate Fund, and certain other funds proportionately as specified by the annual budget.

## INVESTMENT OF DISTRICT FUNDS

The District is committed to a policy of maximizing the return on all funds available for investment within the constraints of its Investment Policy. Tax levies necessary for the operation of the District are in effect reduced in direct relation to the income earned on investments.

The investments which the District may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation ("FDIC"); (4) certain short term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (5) fully collateralized repurchase agreements; (6) the State Treasurer's Illinois Funds; (7) money market mutual funds and certain other instruments; and (8) municipal bonds of the State, or of any other state, or of any political subdivisions thereof, whether interest is taxable or tax exempt under federal law, rated within the four highest classifications by a major rating service. District policies require that repurchase agreements be collateralized only with direct U.S. Treasury securities that are maintained at a value of at least 102% of the investment amount (at market).

The District may invest funds in any of these categories over time, depending on their competitive interest rate structures. All certificates of deposit or time deposits are required to be collateralized with securities of the U.S. Government or letters of credit issued by the Federal Home Loan Bank in an amount equal to 105% or 102%, respectively, of the funds on deposit. All investment collateral is held in safekeeping in the District's name by financial institutions acting as the District's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

The District attempts to match its investment maturities with anticipated cash flow requirements. All funds are invested for periods of one day to five years from date of purchase based upon cash flow requirements and interest rate projections. Investments are placed on the basis of bids received on a daily basis from banks and brokers.

## FINANCIAL OPERATIONS — ACCOUNTING POLICIES

The accounting system of the District is operated and maintained on a fund accounting basis. A “fund” is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, and residual equities or balances and change therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District’s General Corporate Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Funds, and Stormwater Management Fund are maintained using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when measurable and available to finance operations. Expenditures, other than interest on long-term debt, are recorded at the time liabilities are incurred. District expenditures for the payment of principal and interest on long term debt are recognized when such debt is due and payable.

The fiduciary funds of the District are the Retirement Fund and OPEB Trust Fund (as hereafter defined). The fiduciary funds’ financial statements are prepared using the accrual basis of accounting with assets recorded at market value.

Property taxes, user charge revenues and personal property replacement taxes are accrued to the extent that they are available to satisfy liabilities relating to the reporting period.

The District uses the modified approach to report its infrastructure assets, with the exception of the District’s TARP deep tunnels and drop shafts, main office buildings and certain assets, which are depreciated. The District has implemented all applicable Governmental Accounting Standards Board (GASB) Statements.

## PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The District provides funding for the Metropolitan Water Reclamation District Retirement Fund (the “*Retirement Fund*”), which is a single-employer, defined benefit pension plan established by and administered under Article 13 of the Illinois Pension Code. The Retirement Fund provides retirement annuities, death and disability benefits for certain employees of the District and employees of the Retirement Fund. The District’s employer contribution to the Retirement Fund is primarily funded through collections received from a separate property tax levied annually by the District for such purpose.

In addition, the District provides funding for the Metropolitan Water Reclamation District’s Retiree Health Care Plan (the “*OPEB Plan*”). The OPEB Plan is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the District and is administered by the District. The District funds current-year retiree healthcare claim payments and insurance premiums from operating funds on a pay-as-you-go basis, and also contributes an advance funding amount to a trust fund to be used to pay for OPEB Plan benefits in the future.

For additional information regarding the Retirement Fund and the OPEB Plan, see “APPENDIX C — Pension and Other Post-Employment Benefits.”

## **BUDGETARY PROCEDURES**

### **BUDGETARY PROCESS**

The District prepares its budget in conformity with practices prescribed or permitted by the applicable statutes of the State. The Board is required to adopt an annual budget by no later than the close of the previous fiscal year. The annual budget serves as the foundation for the District's financial planning and control. A summary of the District's budgeting process is contained in Note 1(d) to the Basic Financial Statements attached hereto as APPENDIX A.

The 2024 Budget was adopted on December 14, 2023. The 2024 Budget is on file and available for review at the District's offices, as are the Executive Director's recommendations for the 2025 Budget. These documents are also available online at the District's website at [www.mwr.org](http://www.mwr.org). It is herein noted that the content of the website is not incorporated into this Official Statement by reference.

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COMPARATIVE BUDGET INFORMATION

The following table summarizes the appropriations set forth in the annual budgets of the District for fiscal year 2024 and for 2023, as adjusted (in millions of dollars):

<u>APPROPRIATIONS (IN MILLIONS)</u>	<u>2024</u>	<u>2023 ADJUSTED</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
Corporate Fund.....	\$497.3	\$475.1	\$22.2	4.7%
Stormwater Management Fund .....	131.5	129.0	2.5	1.9%
Construction Fund .....	74.6	51.5	23.1	44.9%
Retirement Fund .....	129.2	117.9	11.3	9.6%
Reserve Claim Fund .....	52.3	46.0	6.3	13.7%
Capital Improvements Bond Fund.....	308.3	374.6	(66.3)	-17.7%
Bond Redemption & Interest Fund.....	235.8	238.1	(2.3)	-1.0%
Total.....	<u>\$1,429.0</u>	<u>\$1,432.2</u>	<u>\$(3.2)</u>	<u>-0.2%</u>

The total appropriation request for 2024 is \$1,429.0 million, a decrease of \$(3.2) million, from the 2023 Adjusted Budget. Major changes are presented below.

- The 2024 appropriation for the Corporate Fund, which accounts for the day-to-day operations of the District, is \$497.3 million, an increase of \$22.2 million, or 4.7 percent, from the 2023 Adjusted Budget. The District has been actively managing energy, personnel, and health benefits costs, while plant maintenance and operational costs continue to grow. Additionally, the 2024 Budget invests in technology that will help modernize processes and purchase equipment to support telecommuting, an implementation of online reporting for industrial users, and an improved interactive vendor portal.
- The 2024 appropriation for the Stormwater Management Fund is \$131.5 million, an increase of \$2.5 million, or 1.9 percent, from the 2023 Adjusted Budget. The 2024 Budget continues to support the District’s commitment to address flooding issues throughout Cook County and includes \$30.9 million in funding for Intergovernmental Agreements for pay-as-you-go Green Infrastructure projects and other stormwater improvements to mitigate against changing weather patterns and intense bursts of precipitation that quickly overwhelm systems throughout the region.
- The 2024 appropriation for the Construction Fund is \$74.6 million, an increase of \$23.1 million, or 44.9 percent, from the 2023 Adjusted Budget. The increase is due to the timing of pay-as-you-go capital project schedules and cost estimates.
- The 2024 appropriation for the Retirement Fund is \$129.2 million, an increase of \$11.3 million, or 9.6 percent from the 2023 Adjusted Budget. The 2024 appropriation is based on a funding policy adopted by the Board to ensure the long-term financial health of the pension program while balancing the interest of the employees, retirees, taxpayers, and the District. The funding goal of the policy is to contribute annually to the Fund that over time will increase the funded ratio to 100

percent by the year 2050. See “APPENDIX C – PENSION AND OTHER POST EMPLOYMENT BENEFITS – Funded Status of the Retirement Fund.”

- The 2024 appropriation for the Reserve Claim Fund, the District’s self-insurance fund, is \$52.3 million, an increase of \$6.3 million, or 13.7 percent, from the 2023 Adjusted Budget. The fund is statutorily authorized to accumulate a reserve towards the limit of \$90.8 million to meet claims against the District.
- The 2024 appropriation for the Capital Improvements Bond Fund is \$308.3 million, a decrease of \$66.3 million, or 17.7 percent, from the 2023 Adjusted Budget. The decrease is primarily due to the timing in the awards of major capital projects.
- The 2024 appropriation for the Bond Redemption & Interest Fund is \$235.8 million, a decrease of \$2.3 million, or 1.0 percent, from the 2023 Adjusted Budget. The decrease is attributable to repayment schedules.

The following table summarizes the budget recommendation for 2025 compared to the 2024 adjusted appropriation (in millions of dollars):

<b>APPROPRIATIONS (IN MILLIONS)</b>	<b>2025 BUDGET RECOMMENDATION</b>	<b>2024 ADJUSTED</b>	<b>INCREASE/ (DECREASE)</b>	<b>PERCENT CHANGE</b>
Corporate Fund.....	\$522.3	\$497.3	\$25.0	5.0%
Stormwater Management Fund .....	130.6	131.5	(.9)	(0.7)%
Construction Fund .....	81.1	74.6	6.5	8.7%
Retirement Fund .....	118.7	129.2	(10.5)	(8.1)%
Reserve Claim Fund .....	57.3	52.3	5.0	9.5%
Capital Improvements Bond Fund.....	560.9	308.3	252.6	82.0%
Bond Redemption & Interest Fund.....	234.6	235.8	(1.2)	(.05)%
Total.....	<u>\$1,705.5</u>	<u>\$1,429.0</u>	<u>\$276.5</u>	<u>19.4%</u>

The total appropriation request for 2025 is \$1,705.5 million, an increase of \$276.5 million, from the 2024 Adjusted Budget. Major changes are presented below.

- The 2025 recommended appropriation for the Corporate Fund, which accounts for the day-to-day operations of the District, is \$522.3 million, an increase of \$25.0 million, or 5.0 percent, from the 2024 Adjusted Budget. The 2025 Budget Recommendation reflects current economic conditions and inflationary cost increases, reflecting positive investment returns as well as projected increases related to personnel, chemicals and commodities and certain non-annually recurring reservoir maintenance costs.
- The 2025 recommended appropriation for the Stormwater Management Fund is \$130.6 million, a decrease of \$.9 million, or .7 percent, from the 2024 Adjusted Budget. The 2025 Budget continues to support the District’s commitment to address flooding issues throughout Cook County and includes 30 regional projects for design and construction, approved by the Board of Commissioners, for pay-as-you-go Green Infrastructure projects and other stormwater improvements to

mitigate against changing weather patterns and intense bursts of precipitation that quickly overwhelm systems throughout the region.

- The 2025 recommended appropriation for the Construction Fund is \$81.1 million, an increase of \$6.5 million, or 8.7 percent, from the 2024 Adjusted Budget. The increase is due to the timing of pay-as-you-go capital project schedules and cost estimates.
- The 2025 recommended appropriation for the Retirement Fund is \$118.7 million, a decrease of \$10.5 million, or 8.1 percent from the 2024 Adjusted Budget. The 2025 recommended appropriation is based on a funding policy adopted by the Board to ensure the long-term financial health of the pension program while balancing the interest of the employees, retirees, taxpayers, and the District. The funding goal of the policy is to contribute annually to the Fund that over time will increase the funded ratio to 100 percent by the year 2050. See “APPENDIX C – PENSION AND OTHER POST EMPLOYMENT BENEFITS – Funded Status of the Retirement Fund.”
- The 2025 recommended appropriation for the Reserve Claim Fund, the District’s self-insurance fund, is \$57.3 million, an increase of \$5.0 million, or 9.5 percent, from the 2024 Adjusted Budget. The fund is statutorily authorized to accumulate a reserve towards the limit of \$90.8 million to meet claims against the District.
- The 2025 recommended appropriation for the Capital Improvements Bond Fund is \$560.9 million, an increase of \$308.3 million, or 82.0 percent, from the 2024 Adjusted Budget. The increase is primarily due to the timing in the awards of major capital projects and a projected award for a new battery at the O’Brien water reclamation plant for \$367.8 million.
- The 2025 recommended appropriation for the Bond Redemption & Interest Fund is \$234.6 million, a decrease of \$1.2 million, or .5 percent, from the 2024 Adjusted Budget. The decrease is attributable to repayment schedules.

## **OTHER LOCAL GOVERNMENTAL UNITS**

### **PRINCIPAL UNITS**

There are numerous governmental units located within the boundaries of the District, each of which (i) is separately incorporated under the laws of the State, (ii) has an independent tax levy, (iii) derives its power and authority under the laws of the State, and (iv) maintains its own financial records and accounts. Each of these units may levy taxes upon property within its particular boundaries, and each is authorized to issue debt obligations. The principal municipality within the boundaries of the District is the City of Chicago. Other municipalities in the County with populations in excess of 50,000 include Arlington Heights, Berwyn, Cicero, Des Plaines, Evanston, Mount Prospect, Oak Lawn, Oak Park, Orland Park, Palatine, Schaumburg, Skokie and Tinley Park. Approximately 47% of the Equalized Assessed Valuation of taxable property in the County is located within the City of Chicago with the balance located in other municipalities and unincorporated areas.

## OTHER MAJOR GOVERNMENTAL UNITS

*Cook County* is governed by a board of seventeen Commissioners (the “*County Board*”), each elected for four year terms from one of seventeen districts. All taxable property situated in the District is located within the boundaries of the County. The County is a home rule unit under the Illinois Constitution of 1970 (the “*Illinois Constitution*”).

*The Forest Preserve District of Cook County* (the “*Forest Preserve District*”) is coterminous with the County. The Forest Preserve District creates, maintains and operates forest preserves within the County. The Forest Preserve District is governed by a seventeen-member board composed of the members of the County Board.

*The City of Chicago* (the “*City*”) was incorporated in 1837 and exercises broad governmental powers as a home rule unit under the Illinois Constitution. The City is governed by a Mayor elected at large for a four-year term, and the City Council. The City Council consists of 50 members (“*Alderpersons*”), each representing one of the City’s 50 wards. Alderpersons are elected for four-year terms.

*The Board of Education of the City of Chicago* (the “*Board of Education*”) exercises general supervision and jurisdiction over the public school system in the City. The Board of Education consists of seven members appointed by the Mayor of the City without consent or approval of the City Council. The Board of Education adopts the budget, approves contracts (including collective bargaining agreements), levies real property taxes, and establishes general policies of the public schools.

*The Chicago Park District* (the “*Park District*”) is responsible for the maintenance and operation of parks, boulevards, marinas, and certain other public property within the City. The Park District is governed by a seven-member board, appointed by the Mayor of the City, with the approval of the City Council.

*Community College District No. 508* (the “*Community College District*”) maintains a system of community colleges within the City. The Community College District is governed by a seven-member board, appointed by the Mayor of the City, with the approval of the City Council.

## CERTAIN OTHER PUBLIC BODIES

*The Public Building Commission of Chicago* (the “*PBC*”) is a municipal corporation authorized to acquire, construct and improve public buildings and facilities for use by one or more local governmental units. The PBC issues bonds to finance its projects and leases its facilities to respective units of local government or acts as the general contractor for certain projects.

*The Regional Transportation Authority* (the “*RTA*”) is a municipal corporation authorized to provide planning, funding, coordination, and fiscal oversight of three separately governed operating entities which provide public mass transportation services in a six-county area of northeastern Illinois, including the County. The RTA is governed by a 16-member board, consisting of City and suburban members appointed by elected officials in the six-county RTA region. The RTA is primarily funded from sales taxes imposed by the RTA on sales in the six-county area and a portion of sales taxes imposed by the State. The RTA is also authorized to

impose, but does not currently impose, taxes on automobile rentals, motor fuel, and off-street parking facilities. By law, motor fuel and off-street parking taxes may not be imposed concurrently with sales taxes. The RTA may not levy real property taxes.

*The Chicago Transit Authority* (the “CTA”) is a municipal corporation empowered to acquire, construct, own, operate, and maintain a transportation system in the metropolitan area of the County. The CTA is governed by a seven-member board. The CTA may not levy real property or other taxes.

*The Metropolitan Pier and Exposition Authority* (the “MPEA”), formerly known as the Metropolitan Fair and Exposition Authority, is a municipal corporation which owns the McCormick Place convention and exposition facilities and the Navy Pier recreational facilities. MPEA periodically issues revenue bonds to finance the construction of certain facilities and is authorized to impose certain taxes to provide security for such bonds. The MPEA may not levy real property taxes.

#### INTERRELATIONSHIPS

The governmental units and other public bodies described in “OTHER LOCAL GOVERNMENTAL UNITS — Other Major Governmental Units” share, in varying degrees, a common property tax base with the District. See “DEBT INFORMATION.” However, they are all separate legal and financial units, and the financial condition or circumstances of any one unit does not necessarily imply similar financial conditions or circumstances for the District.

#### **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

All of the “equalized assessed valuation” or “EAV” (described below) of taxable real property in the District is located in the County. Information under this caption describes the current procedures for real property assessment, tax levy and tax collection in the County. There is no assurance that the procedures described under this caption will not be changed. Illinois laws relating to the real property taxation are contained in the Illinois Property Tax Code (the “*Property Tax Code*”).

#### REAL PROPERTY ASSESSMENT

The Cook County Assessor (the “*County Assessor*”) is responsible for the assessment of all taxable real property within the County, including that in the District, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the “*Department of Revenue*”). For triennial reassessment purposes, the County is divided into three districts: west and south suburbs (the “*South Tri*”), north and northwest suburbs (the “*North Tri*”), and the City of Chicago (the “*City Tri*”). The South Tri was reassessed for the 2023 tax levy year, the City Tri was last reassessed for the 2021 tax levy year, and the North Tri was last reassessed for the 2022 tax levy year.

Real property in the County is separated into classes for assessment purposes. After the County Assessor establishes the fair market value of a parcel of property, that value is multiplied by the appropriate classification percentage to arrive at the assessed valuation (the “*Assessed*



*Valuation*”) for the parcel. Such classification percentages range from 10% for certain residential, commercial and industrial property to 25% for other industrial and commercial property.

Property is classified for assessment into six basic categories, each of which is assessed (beginning with the 2009 tax levy year) at various percentages of fair market value as follows: Class 1 unimproved real estate (10%); Class 2 residential (10%); Class 3 rental residential (16% in tax year 2009, 13% in tax year 2010, and 10% in tax year 2011 and subsequent years); Class 4 not for profit (20%); Class 5a commercial (25%); and Class 5b industrial (25%).

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Cook County also grants special assessments for the development or redevelopment of commercial and industrial properties. The properties receive a temporary real estate tax incentive as a reduction in the assessment rate.

The County Assessor has established procedures enabling taxpayers to contest their proposed Assessed Valuations. Once the County Assessor certifies its final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review (the “*Board of Review*”), which consists of three commissioners elected by the voters of the County. The Board of Review has the power to adjust the Assessed Valuations set by the County Assessor.

Property taxpayers are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the “*PTAB*”), a statewide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal the decision of PTAB to either the Circuit Court of Cook County (the “*Circuit Court*”) or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The procedure under this alternative is similar to the judicial review procedure described in the immediately preceding paragraph, however, the standard of proof differs. In addition, in cases where the County Assessor agrees that an assessment error has been made after tax bills have been issued, the County Assessor can correct any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error. Certificates of Error are not issued in cases where the only issue is the opinion of the valuation of the property.

#### EQUALIZATION

After the Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or PTAB, the Illinois Department of Revenue is required by statute to review the Assessed Valuations. The Illinois Department of Revenue establishes an equalization factor (the “*Equalization Factor*”), commonly called the “multiplier,” for each county to make all valuations uniform among the 102 counties in the State of Illinois (the “*State*”). Under State law, the aggregate of the assessments within each county is equalized at 33 1/3% of the estimated fair cash value of real property located within the county prior to any applicable exemptions. One multiplier is applied to all property in the County, regardless of its assessment category, except for certain farmland property and wind energy assessable property, which are not subject to equalization. The following table sets forth the Equalization Factor for the County for the last ten tax levy years.

TAX LEVY YEAR	EQUALIZATION FACTOR
2014	2.7253
2015	2.6685
2016	2.8032
2017	2.9627
2018	2.9109
2019	2.9160

TAX LEVY YEAR	EQUALIZATION FACTOR
2020	3.2234
2021	3.0027
2022	2.9237
2023	3.0163

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or PTAB, is multiplied by the Equalization Factor to determine the equalized assessed valuation (the “EAV”) of that parcel. The EAV for each parcel is the final property valuation used for determination of tax liability. The aggregate EAV for all parcels in any taxing body’s jurisdiction, plus the valuation of property assessed directly by the Department of Revenue, constitute the total real estate tax base for the taxing body, which is used to calculate tax rates (the “Assessment Base”).

#### EXEMPTIONS

The Property Tax Code exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions, which are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of \$10,000 in the County for assessment year 2016 and thereafter.

The Long-Time Occupant Homestead Exemption limits the increase in EAV of a taxpayer’s homestead property to 10% per year if such taxpayer has owned the property for at least 10 years as of January 1 of the assessment year (or 5 years if purchased with certain government assistance) and has a household income of \$100,000 or less (“*Qualified Homestead Property*”). If the taxpayer’s annual income is \$75,000 or less, the EAV of the Qualified Homestead Property may increase by no more than 7% per year. There is no exemption limit for Qualified Homestead Properties.

The Homestead Improvement Exemption applies to residential properties that have been improved and to properties that have been rebuilt in the two years following a catastrophic event, as defined in the Property Tax Code. The exemption is limited to \$75,000 per year, to the extent the Assessed Valuation is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. The maximum exemption is \$8,000.

The Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence, and receive a household income not in excess of \$65,000. This exemption grants to

qualifying senior citizens an exemption equal to the greater of (i) the difference between (a) the current EAV of the residence and (b) the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the exemption, plus the EAV of improvements since such year or (ii) \$2,000.

Beginning January 1, 2015, purchasers of certain single-family homes and residences of one to six units located in certain targeted areas (as defined in the applicable section of the Property Tax Code) can apply for the Community Stabilization Assessment Freeze Pilot Program. To be eligible the purchaser must meet certain requirements for rehabilitating the property, including expenditures of at least \$5 per square foot, adjusted by CPI. Upon meeting the requirements, the assessed value of the improvements is reduced by (a) 90% in the first seven years, (b) 65% in the eighth year and (c) 35% in the ninth year. The benefit ceases in the tenth year. The program will be phased out by June 30, 2029.

The Natural Disaster Homestead Exemption (the "*Natural Disaster Exemption*") applies to homestead properties containing a residential structure that has been rebuilt following a natural disaster occurring in taxable year 2012 or any taxable year thereafter. A natural disaster is an occurrence of widespread or severe damage or loss of property resulting from any catastrophic cause including but not limited to fire, flood, earthquake, wind, or storm. The Natural Disaster Exemption is equal to the equalized assessed value of the residence in the first taxable year for which the taxpayer applies for the exemption minus the equalized assessed value of the residence for the taxable year prior to the taxable year in which the natural disaster occurred. To be eligible for the Natural Disaster Exemption, the residential structure must be rebuilt within two years after the date of the natural disaster, and the square footage of the rebuilt residential structure may not be more than 110% of the square footage of the original residential structure as it existed immediately prior to the natural disaster. The Natural Disaster Exemption remains at a constant amount until the taxable year in which the property is sold or transferred.

Three exemptions are available to veterans of the United States armed forces. The Veterans with Disabilities Exemption for Specially adapted Housing exempts up to \$100,000 of the Assessed Valuation of property owned and used exclusively by veterans, their spouses or unmarried surviving spouses. Qualification for this exemption requires the veteran's disability to be of such a nature that the federal government has authorized payment for purchase of specially adapted housing under the U.S. Code as certified to annually by the Illinois Department of Veterans Affairs or for housing or adaptations donated by a charitable organization to such disabled veteran.

The Disabled Veterans' Standard Homestead Exemption provides an annual homestead exemption to veterans with a service-connected disability based on the percentage of such disability. If the veteran has a (a) service-connected disability of 30% or more but less than 50%, the annual exemption is \$2,500, (b) service-connected disability of 50% or more but less than 70%, the annual exemption is \$5,000, and (c) service-connected disability of 70% or more, the property is exempt from taxation.

The Returning Veterans' Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year, or the year following the

assessment year, in which the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a one-time homestead exemption of \$5,000.

Finally, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of \$2,000 for property that is owned and occupied by certain disabled persons who meet State mandated guidelines.

#### TAX LEVY

As part of the annual budgetary process of governmental units (the "*Units*") with power to levy taxes in the County, the designated body for each Unit annually adopts proceedings to levy real estate taxes. The administration and collection of real estate taxes is statutorily assigned to the Cook County Clerk (the "*County Clerk*") and the Cook County Treasurer (the "*County Treasurer*"). After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit. The County Clerk computes the Unit's maximum allowable levy by multiplying the maximum tax rate for that Unit by the prior year's EAV for all property currently in the taxing district. The prior year's EAV includes the EAV of any new property, the current year value of any annexed property and any recovered tax increment value, minus any disconnected property for the current year under the Limitation Law. The tax rate for a Unit is computed by dividing the lesser of the maximum allowable levy or the actual levy by the current year's EAV.

#### PROPERTY TAX EXTENSION LIMITATION LAW AND DEBT REFORM ACT

The Limitation Law is applied after the prior year EAV limitation. The Limitation Law limits the annual growth in the amount of property taxes to be extended for certain Illinois non-home rule units, including the District. The effect of the Limitation Law is to limit the amount of property taxes that can be extended for a taxing body. In addition, general obligation bonds, notes, and installment contracts payable from ad valorem taxes, unlimited as to rate and amount, cannot be issued by the affected taxing bodies unless they are approved by referendum, are alternate bonds, or are for certain refunding purposes. These limitations on the extensions of property taxes contained in the Limitation Law do not apply to the taxes levied by the District (i) to pay the principal of and interest on its outstanding general obligation bonds issued prior to March 1, 1995; (ii) to pay the principal of and interest on bonds issued to refund or continue to refund those bonds issued before March 1, 1995; (iii) to pay the principal of and interest on bonds to finance construction projects initiated prior to October 1, 1991 (consisting primarily of the TARP projects as described in APPENDIX B); (iv) to pay interest or principal on bonds issued to refund or continue to refund bonds issued after March 1, 1995 that are approved by referendum; or (v) to pay principal of or interest on alternate bonds.

The Limitation Law also excludes certain types of general obligation bonds, known as "*alternate bonds*" issued pursuant to Section 15 of the Debt Reform Act, from the direct referendum requirements of the Limitation Law. The 2024E Bonds are being issued as alternate bonds. The extension and collection of the ad valorem taxes levied by the Series 2024E Bond Ordinance, to the extent received, for the payment of debt service on the 2024E Bonds are not limited or restricted in any way by the provisions of the Limitation Law. See "SECURITY FOR THE BONDS — Security for the Unlimited Tax Bonds — *The 2024E Bonds*."

The Debt Reform Act permits units of local government, including the District, to issue limited bonds that have otherwise been authorized by applicable law. The base for such bond issues is the debt service extension for the levy year 1994. The District could also increase its debt service extension base by referendum. The Limitation Law provides that the debt service extension base of a taxing district must be increased by the lesser of 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year preceding the levy year. Pursuant to these provisions of the Debt Reform Act, the 2024A Bonds and the 2024C Bonds are being issued as limited bonds. See “SECURITY FOR THE BONDS — Security for the Limited Tax Bonds.”

The Limitation Law was amended in 1997 so that the issuance of bonds by the District to construct construction projects initiated before October 1, 1991, including the TARP projects, will not reduce the District’s ability to issue limited bonds for other major capital projects. With respect to the Limitation Law, the 2024B Bonds are being issued pursuant to this amendment for the purpose of funding TARP projects. See “SECURITY FOR THE BONDS — Security for the Unlimited Tax Bonds — *General*.”

The use of prior year EAV’s to limit the allowable tax levy may reduce tax rates for funds that are at or near their maximum rates in districts with rising EAVs. These reduced rates and all other rates for those funds subject to the Limitation Law are added together, which results in the aggregate preliminary rate. The aggregate preliminary rate is then compared to the limiting rate. If the limiting rate is more than the aggregate preliminary rate, there is no further reduction in rates due to the Limitation Law. If the limiting rate is less than the aggregate preliminary rate, the aggregate preliminary rate is further reduced to the limiting rate. In all cases, taxes are extended using current year EAV under Section 18-140 of the Property Tax Code.

The District has the authority to levy taxes for many different purposes. See “TAXATION OF PROPERTY WITHIN DISTRICT — STATISTICAL INFORMATION — Metropolitan Water Reclamation District Tax Rates by Fund.” The ceiling at any particular time on the rate at which these taxes may be extended for the District is either (i) unlimited (as provided by statute), (ii) initially set by statute but permitted to be increased by referendum, (iii) capped by statute, or (iv) limited to the rate approved by referendum. The only ceiling on a particular tax rate is the ceiling set by statute above, at which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts (such as the District) have increased flexibility to levy taxes for the purposes for which they most need the money. The total aggregate tax rate for the various purposes subject to the Limitation Law, however, will not be allowed to exceed the District’s limiting rate computed in accordance with the provisions of the Limitation Law.

In general, the annual growth permitted under the Limitation Law is the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Taxes can also be increased due to new construction, referendum approval of tax rate increases, mergers and consolidations. Local governments, including the District, can issue limited bonds in lieu of general obligation bonds that have otherwise been authorized by applicable law. See “SECURITY FOR THE BONDS” herein.

## EXTENSIONS

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the current assessment year) in the books prepared for the Cook County Collector (the “*Warrant Books*”) along with the tax rates, the Assessed Valuation and the EAV. The Warrant Books are the Cook County Collector’s (the “*County Collector*”) authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

## COLLECTIONS

Property taxes are collected by the County Collector, who also serves as the County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. The first installment is equal to 55% of the prior year’s tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead based on the certain percentage of the *corrected* prior year’s tax bill. The second installment covers the balance of the current year’s tax bill, and is based on the then current tax year levy, Assessed Valuation and Equalization Factor, and reflects any changes from the prior year in those factors. With the exception of the due date of the first installment of the 2022 tax levy (April 3, 2023), the first installment penalty date has been the first business day in March for each of the last ten years. The following table sets forth the second installment penalty date for the last ten tax levy years in the County.

TAX LEVY YEAR	SECOND INSTALLMENT PENALTY DATE
2014	August 3, 2015
2015	August 1, 2016
2016	August 1, 2017
2017	August 1, 2018
2018	August 1, 2019
2019	October 1, 2020 <sup>(1)</sup>
2020	October 1, 2021 <sup>(1)</sup>
2021	December 30, 2022
2022	December 1, 2023
2023	August 1, 2024

(1) Penalty date extended due to the COVID-19 Pandemic.

It is possible that the changes to the assessment appeals process described above will cause delays similar to those experienced in past years in preparation and mailing of the second installment in future years.

During the periods of peak collections, tax receipts are forwarded to each Unit on a weekly basis. Upon receipt of taxes from the County Collector, the District promptly credits the taxes received to the funds for which they were levied.

Within 90 days following the second installment due date, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the “*Annual Tax Sale*”) of unpaid taxes shown on that year’s Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any “automated means.” Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and a half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited, and the property becomes eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest accrued to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

The Scavenger Sale (the “*Scavenger Sale*”), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is held every two years on all property on which three or more years’ taxes are delinquent. The sale price of the unpaid taxes is the amount bid at such sale, which may be less than the amount of delinquent taxes. Redemption periods vary from six months to two and a half years depending upon the type and occupancy of the property.

#### TRUTH IN TAXATION LAW

Legislation known as the Truth in Taxation Law (the “*Law*”) limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The provisions of the Law do not apply to levies made to pay principal of and interest on the Bonds. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

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**TAXATION OF PROPERTY WITHIN DISTRICT — STATISTICAL INFORMATION**

EQUALIZED ASSESSED VALUATION BY MAJOR CLASSIFICATION

(amounts in thousands)

YEAR OF LEVY	REAL PROPERTY	RAILROAD AND ENVIRONMENTAL PROTECTION PROPERTY	TOTAL	YEAR OVER YEAR PERCENT CHANGE
2014	\$125,427,832	\$308,356	\$125,736,188	1.877%
2015	129,960,424	344,380	130,304,804	3.633
2016	140,401,735	350,466	140,752,201	8.018
2017	147,583,390	362,434	147,945,824	5.111
2018	155,390,214	397,833	155,788,047	5.301
2019	163,646,983	407,721	164,054,704	5.306
2020	170,461,689	431,035	170,892,723	4.168
2021	172,305,038	430,152	172,735,190	1.078
2022	181,143,172	500,292	181,643,464	5.157
2023	195,154,795	533,509	195,688,304	7.732

Source of data: The County Clerk

EQUALIZED ASSESSED VALUATION – CHICAGO AND SUBURBS

(amounts in thousands)

YEAR OF LEVY	CHICAGO	SUBURBS	TOTAL
2014	\$64,908,057	\$60,828,131	\$125,736,188
2015	70,963,289	59,341,515	130,304,804
2016	74,016,506	66,735,695	140,752,201
2017	76,765,303	71,180,521	147,945,824
2018	86,326,179	69,461,868	155,788,047
2019	87,816,177	76,238,527	164,054,704
2020	89,514,969	81,337,755	170,852,724
2021	96,913,881	75,821,309	172,735,190
2022	96,891,179	84,752,285	181,643,464
2023	99,645,245	96,043,059	195,688,304

Source of data: The County Clerk

ESTIMATED FULL VALUATION – CHICAGO AND SUBURBS

(amounts in thousands)

YEAR OF LEVY	CHICAGO	SUBURBS	TOTAL
2011	\$222,856,065	\$219,931,625	\$442,787,689
2012	206,915,723	207,466,666	414,382,389
2013	236,695,475	223,165,122	459,860,597
2014	255,639,792	243,496,762	499,136,554
2015	278,027,694	250,815,655	528,843,249
2016	293,121,793	266,563,367	559,685,160
2017	306,075,351	279,714,023	585,789,374
2018	323,128,274	286,434,067	609,562,341
2019	335,856,711	299,019,545	634,876,256
2020	335,856,711	299,019,545	634,876,256

Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue.)  
 Note: The Civic Federation has not provided an update in Estimated Full Value of Real Property in Cook County since the 2020 values were provided. The most current information available is presented above.

COMPARATIVE TAX RATES OF MAJOR LOCAL GOVERNMENTAL UNITS

(Per \$100 Equalized Assessed Valuation)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Metropolitan Water Reclamation District <sup>(1)</sup>	\$0.345	\$0.374	\$0.382	\$0.378	\$0.389
City of Chicago .....	1.612	1.628	1.556	1.580	1.603
Chicago Board of Education.....	3.829	3.757	3.517	3.656	3.620
Chicago Park District .....	0.318	0.323	0.311	0.329	0.326
County of Cook .....	0.386	0.431	0.446	0.453	0.454
Cook County Forest Preserve District.....	0.075	0.081	0.058	0.058	0.059
Community College District #508.....	0.158	0.155	0.145	0.151	0.149
City of Chicago Library Fund .....	0.129	0.133	0.129	0.140	0.121
City of Chicago Sch Bldg/Improvement .....	0.143	0.153	0.153	0.166	0.169
TOTAL.....	\$6.995	\$7.035	\$6.697	\$6.911	\$6.890

Source of data: The County Clerk  
 (1) Based upon taxes extended for collection in succeeding years as a percentage of the Equalized Assessed Valuation for the tax year.

METROPOLITAN WATER RECLAMATION DISTRICT TAX RATES BY FUND

(Per \$100 Equalized Assessed Valuation)<sup>(1)</sup>

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Corporate Fund.....	\$0.154	\$0.163	\$0.161	\$0.156	\$0.155
Retirement Fund .....	0.036	0.040	0.042	0.042	0.044
Debt Service Fund .....	0.120	0.132	0.139	0.140	0.148
Reserve Claim Fund .....	0.004	0.004	0.005	0.005	0.005
Corporate Working Cash Fund.....	-	-	-	-	-
Construction Fund .....	0.004	0.004	0.004	0.004	0.005
Construction Working Cash Fund .....	-	-	-	-	-
Stormwater Management Fund .....	0.027	0.031	0.031	0.031	0.032
TOTAL.....	\$0.345	\$0.374	\$0.382	\$0.378	\$0.389

Source of data: The County Clerk  
 (1) District's tax rates are estimated based on 2023 equalized assessed valuation of \$195.7 billion.

STATUTORY TAX RATE LIMITATION BY FUND

(Per \$100 Equalized Assessed Valuation)

Corporate Fund.....	\$0.41
Retirement Fund <sup>(1)</sup> .....	Unlimited
Debt Service Fund <sup>(1)</sup> .....	Unlimited
Reserve Claim Fund <sup>(2)</sup> .....	0.005
Corporate Working Cash Fund .....	0.005
Construction Fund.....	0.100
Construction Working Cash Fund.....	0.005
Stormwater Management Fund .....	0.050

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Source of data: The County Clerk

- (1) Subject to the provisions of the Tax Extension Limitation Law. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES — Property Tax Extension Limitation Law and Debt Reform Act.”
- (2) Subject to maximum accumulated value of 0.05% of the most recent equalized assessed valuation.

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TAX LEVIES, COLLECTIONS, AND RECEIVABLES  
AS OF SEPTEMBER 30, 2024

(amounts in thousands) (Unaudited)

	2023		2022	
	AMOUNT	% OF LEVY	AMOUNT	% OF LEVY
<b>Gross Property Tax Levy:</b>				
Corporate Fund	\$301,119	44.6%	\$295,823	43.5%
Construction Fund	7,000	1.0%	7,000	1.0%
Debt Service Fund	236,178	35.0%	239,056	35.2%
Retirement Fund	70,845	10.5%	72,054	10.6%
Stormwater Management Fund	52,500	7.8%	57,926	8.5%
Reserve Claim Fund	7,500	1.1%	7,500	1.1%
<b>Total Gross Property Tax Levy</b>	<b>\$675,142</b>	<b>100.0%</b>	<b>\$679,359</b>	<b>100.0%</b>
<b>Less Allowance for Estimated Uncollectible Taxes</b>	<b>(23,630)</b>	<b>-3.5%</b>	<b>(23,778)</b>	<b>-3.5%</b>
<b>Anticipated Property Tax Collection</b>	<b>\$651,512</b>	<b>96.5%</b>	<b>\$655,581</b>	<b>96.5%</b>

COLLECTIONS BY LEVY YEAR  
FIRST YEAR COLLECTION ONLY

LEVY YEAR	COLLECTION YEAR	PENALTY DATE	GROSS LEVY	ALLOWANCE FOR UNCOLLECTIBLE TAXES <sup>(1)</sup>	NET LEVY	FIRST YEAR COLLECTION	GROSS LEVY PERCENT COLLECTED
2014	2015	8/3/15	\$540,666	\$18,923	\$521,743	\$523,203	96.8%
2015	2016	8/1/16	555,098	19,428	535,670	541,008	97.5%
2016	2017	8/1/17	571,454	20,001	551,453	559,938	98.0%
2017	2018	8/1/18	594,770	20,817	573,953	581,007	97.7%
2018	2019	8/1/19	616,946	21,593	595,353	604,126	97.9%
2019	2020	10/1/20 <sup>(2)</sup>	638,198	22,337	615,861	619,659	97.1%
2020	2021	10/1/21 <sup>(2)</sup>	645,998	22,610	623,388	623,876	96.6%
2021	2022	12/30/22	659,867	23,095	636,772	495,067	75.0%
2022	2023	12/1/23	679,359	23,778	655,581	655,620	96.5%
2023	2024	8/1/24	675,142	23,630	651,512	647,239	95.9%

- (1) Loss in Collection Rate: 3.5%.  
(2) Penalty date extended due to the COVID-19 pandemic.  
(3) Collections for 2023 Tax Levy are presented through September 30, 2024.

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## FINANCIAL STATEMENTS

The District's Basic Financial Statements for the year ended December 31, 2023, included in this Official Statement as APPENDIX A, have been audited by Baker Tilly US LLP, independent public accountants, as stated in their Independent Auditors' Report dated May 10, 2024. The supplementary information referred to in the Independent Auditors' Report is not included in APPENDIX A. Baker Tilly US LLP, the District's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly US LLP also has not performed any procedures relating to this Official Statement. The District's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2023, and several prior years are available online at the District's website at [www.mwrd.org](http://www.mwrd.org), but the content of such website is not incorporated into this Official Statement by reference.

## RATINGS

The Bonds and the District's outstanding general obligation bonds are rated "AAA" (Stable Outlook) by Fitch Ratings and "AA+" (Stable Outlook) by S&P Global Ratings.

The District has not requested that any other rating agency provide a rating with respect to the Bonds.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating or the status of any review of such rating may be obtained from such agency. Certain information and materials concerning the Bonds, the District and certain overlapping entities have been furnished to the rating agencies by the District. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective agency. There is no assurance that each such rating will be maintained for any given period of time or that one or more of such ratings may not be raised, lowered or withdrawn entirely by the respective rating agency, if in its judgment, circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the price at which the Bonds may be resold.

## TAX MATTERS

### *Summary of Co-Bond Counsel Opinion*

Co-Bond Counsel are of the opinion that under existing law, interest on the Bonds is not includible in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Code, Co-Bond Counsel are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the Bonds is included in the "adjusted financial statement income" of those corporations subject to the corporate alternative minimum tax (see, "Federal Income Tax Consequences – Corporate Owners," below).

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds.

#### *Bonds Purchased at a Premium*

The difference (if any) between the initial price at which a substantial amount of each maturity of the Bonds is sold to the public (the “*Offering Price*”) and the principal amount payable at maturity of such Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as “bond premium.”

Bond premium is amortized over the term of a Bond on the basis of the Bond’s yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period and is subtracted from the owner’s tax basis in the Bond. A Bond’s adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

Owners who purchase Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Bonds. In addition, owners of Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds; under the applicable provisions of state or local income tax law, bond premium may give rise to taxable income at different times and in different amounts than it does for Federal income tax purposes.

#### *Exclusion from Gross Income: Requirements*

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Among these requirements are the following:

*Limitations on Private Use.* The Code includes limitations on the amount of Bond proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

*Investment Restrictions.* Except during certain “temporary periods,” proceeds of the Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “minor portion”) may generally not be invested in investments having a yield that is “materially higher” (1/8 of one percent) than the yield on the Bonds.

*Rebate of Arbitrage Profit.* Unless the Bonds qualify for an exemption, earnings from the investment of the “gross proceeds” of the Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Bonds.

#### *Covenants to Comply*

The District has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

#### *Risks of Non-Compliance*

In the event that the District fails to comply with the requirements of the Code, interest on the Bonds may become includible in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, each Bond Ordinance requires neither acceleration of payment of principal of, or interest on, the Bonds nor payment of any additional interest or penalties to the owners of the Bonds.

#### *Federal Income Tax Consequences*

Pursuant to Section 103 of the Code, interest on the Bonds is not includible in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

*Cost of Carry.* Owners of the Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Bonds. As discussed below, special allocation rules apply to financial institutions.

*Corporate Owners.* The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of any corporation (other than an S corporation, a regulated investment company and a real estate investment trust) having an average “adjusted financial statement income” exceeding \$1,000,000,000 over such corporation’s three preceding taxable years. The corporate alternative minimum tax is effective for taxable years beginning after December 31, 2022. Interest on tax-exempt bonds, such as the Bonds, is included in the calculation of a corporation’s “adjusted financial statement income.” In addition, interest on the Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Bonds is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

*Individual Owners.* Receipt of interest on the Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

*Certain Blue Cross or Blue Shield Organizations.* Receipt of interest on the Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

*Property or Casualty Insurance Companies.* Receipt of interest on the Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

*Financial Institutions.* Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Bonds.

*Foreign Personal Holding Company Income.* A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Bonds held by such a company is properly allocable to the shareholder.

#### CHANGE OF LAW

The opinion of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

#### STATE AND LOCAL CONSIDERATIONS

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and Co-Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

#### INVESTMENT CONSIDERATIONS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of the entirety of the information presented in this Official Statement and its appendices and exhibits in order to make an informed investment decision. Certain of the investment risks are described below. The following statements, however, should not be considered a complete description of all risks to be considered in the decision to purchase the Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks. There can be no assurance that other risk factors are not material or will not become material in the future.



## UNFUNDED PENSIONS

The Retirement Fund has significant unfunded liabilities and low funding ratios. While the District has plans to increase its contributions to the Pension Fund to decrease the unfunded liabilities and increase the funding ratios to full funding by 2050, there can be no assurance or guarantee that the District's actions will accomplish the decrease in the unfunded liabilities and increase the low funding ratios. Market volatility as a result of economic factors may also result in the Pension Fund's inability to achieve assumed rates of return and a significant decrease in the Pension Fund's asset value. The extent and duration of such impact on the rates of return and the asset value, if any, is not possible to predict at this time. For a discussion of the current status of the Retirement Fund and the District's future plans with respect to scheduled contributions, see APPENDIX A — Note 7 and APPENDIX C.

## LOCAL ECONOMY

The financial health of the District is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population, or commercial and industrial activity will occur and what impact such changes would have on the finances of the District.

## FINANCIAL CONDITION OF OVERLAPPING TAXING BODIES

A number of Overlapping Taxing Bodies, whose jurisdictional limits overlap with the District, derive funds for their operations, debt service and pension obligations from tax levies on all or a portion of the tax base on which the District levies taxes. See "DEBT INFORMATION" and "OTHER LOCAL GOVERNMENTAL UNITS." Several of these Overlapping Taxing Bodies, including the City, the Board of Education and the County, have recently reported budget deficits, ratings downgrades or significant unfunded liabilities and low funding ratios in their pension systems. Each of the Overlapping Taxing Bodies is a separate governmental entity and the District does not control the amount or timing of any taxes they may levy in order to address their respective financial conditions. Further financial information regarding the Overlapping Taxing Bodies may be obtained from their respective websites. None of the information on such websites is incorporated by reference into this Official Statement and neither the District nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

While the financial condition of any of the Overlapping Taxing Bodies does not directly affect the financial operations of the District, one or more of them may seek increases in taxes or implement cutbacks in services or some combination thereof to meet their operational, debt and pension obligations. If Overlapping Taxing Bodies were to raise taxes substantially or reduce and/or eliminate essential services, residents or businesses may choose to relocate to states or municipalities with a lower tax burden or better services. A drop in population or business activity could have an adverse impact on the economy of the metropolitan statistical area ("MSA") of the Overlapping Taxing Bodies and the District, and/or make it more difficult for the District (as well as other governmental bodies in the MSA) to increase property taxes, which is a significant source to pay for operations, debt service and unfunded pensions.

## PROPERTY TAXES AND OVERLAPPING TAXING BODIES

The availability of the property taxes in amounts sufficient to pay the Bonds is dependent on the tax base of real property within the District and the ability of this tax base to support the tax burden imposed in any year by the District and Overlapping Taxing Bodies for operations, debt service and other payment obligations, including pensions and other post-employment retirement benefits. In addition to the District's property tax levy for payment of debt service on the Bonds, the District has property tax levies for other District debt and an annual property tax levy for its operations. Overlapping Taxing Bodies have property tax levies on the tax base of real property within the District for general operations, debt service levies for payment of their general obligation debt and may be dependent on property taxes to pay their pension obligations. Any substantial increases in such taxes levied on the tax base of real property within the District may make it more difficult for the District to increase property taxes to pay for its own operations, debt service and unfunded pensions.

The availability of the property taxes in amounts sufficient to pay the Bonds is also dependent on the administration of the assessment, levy and tax collection procedures of the County Collectors. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES."

## CAP ON PROPERTY TAXES

Statutory limitations on the District's ability to levy property taxes are discussed throughout this Official Statement. See "SECURITY FOR THE BONDS." In addition, changes could be made to the statutes under which the District levies taxes that impose further limitations on the rates or amounts of property taxes which it is authorized to levy. Such limitations and changes to existing limitations could, depending on the circumstances, materially adversely affect the District's ability to levy taxes sufficient to meet its obligations for operations, debt service and pension funding.

The District is also statutorily limited in the amount of taxes it may levy for its operations. While the District's bonds are not subject to generalized caps such as the State Tax Cap established under the Illinois Property Tax Code for non-home rule units of local government, this limitation could serve to limit the amount of tax revenue that the District can rely upon for its operations and debt service. This limitation may adversely impact the District's ability to levy taxes to provide sufficient operational funds as an additional source for its pension contributions. To the extent that operational funds are heavily relied on by the District as one of the sources to pay for its pension contributions, the foregoing limitation could impede its ability to decrease the unfunded liabilities and increase the funding ratios of its Pension Fund.

Legislation has been previously introduced and could be introduced in the future in the General Assembly of the State, which, if enacted, would temporarily freeze the amount of property taxes levied by governmental units within the State. The District cannot assess the likelihood of any such legislation being passed by the General Assembly and signed into law by the Governor.

## COLLECTION OF PROPERTY TAXES; DELAYS

Although the rate of the District's direct annual tax levy is and will at all times be sufficient so that the levy will be in an amount equal to the principal of and interest to become due on the

Bonds during each annual levy period, there can be no assurance that taxes extended for collection for each annual levy period will be collected in an amount equal to the principal of and interest to become due on the Bonds. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES” for a discussion of delays in the collection of the taxes levied.

For Tax Year 2022 (collectable in 2023), the first installment of property taxes (typically due in March of each year) was due on April 3, 2023. These installments were delayed for several months due to delays in the assessment process and a computer system upgrade. For Tax Year 2021 (collected in 2022), the first installment of property tax due date was March 1, 2022, and the second installment of property taxes (typically due in August of each year) was due on December 30, 2022.

Moreover, as a result of the onset of the COVID-19 pandemic at the beginning of calendar year 2020, the tax penalty dates for the second installment of Tax Levy Year 2019, the first installment of Tax Levy Year 2020 and the second installment of Tax Levy Year 2020 property taxes levied in the County were extended to October 1, 2020, May 3, 2021, and October 2, 2021, respectively. See “REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES.”

#### SECONDARY MARKET FOR THE BONDS

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The Underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof.

Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

#### FUTURE CHANGES IN LAWS

Various state and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions, and regulations which would have a material effect, either directly or indirectly, on the District or the taxing authority of the District. For example, many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State may affect the overall financial conditions of the District, the taxable value of property within the District, and the ability of the District to levy property taxes or collect revenues for its ongoing operations.

#### FACTORS RELATING TO TAX EXEMPTION

As discussed under “TAX MATTERS” herein, interest on the Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District in violation of its covenants. Should such an event of taxability occur, the Bonds are not subject to any special redemption. Further, as

discussed under “TAX MATTERS,” legislative proposals are currently pending, and additional legislative proposals may be introduced, in the Congress of the United States relating to the federal tax treatment of interest on the Bonds, including some that carry retroactive effective dates, that, if enacted, could affect the market value of the Bonds.

#### THE BONDS MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS SEEKING EXPOSURE TO GREEN ASSETS

It is the District’s intention to apply the net proceeds received from the sale of the Bonds for environmentally beneficial projects as described under “THE GREEN PROJECTS.” Prospective investors should review the information in this Official Statement pertaining to the intended use of proceeds and determine for themselves the relevance of such information for the purchase of any investment in the Bonds, together with any other investigation the investor deems necessary. In particular, no assurance is given by the District or the Underwriters that the use of such proceeds will satisfy, in whole or in part, any present or future investor expectations or requirements as to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulation, or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to direct or indirect environmental impact of any uses of proceeds of the Bonds.

#### CYBERSECURITY

Computer networks and data transmission and collection are vital to the efficient operation of the District. Despite the implementation of network security measures by the District, its information technology and infrastructure may be vulnerable to deliberate attacks by hackers, malware, ransomware, or computer viruses, or may otherwise be breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise networks, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost, or stolen. Although the District does not believe that its information technology systems are at a materially greater risk of cybersecurity attacks than other similarly situated entities, any such disruption, access, disclosure, or other loss of information could result in reputational damage to the District and have an adverse effect on the District’s operations and financial condition.

Formal cyber security policies protect the District’s investment in computer information systems and networks, and safeguard the information within these systems. The policies detail certain purposes, procedures, guidelines, responsibilities, and other matters relevant to the management of information assets; this includes the responsibilities of the District’s officers, employees and third parties with respect to appropriate use and protection of information assets and technology. The District carries cyber liability insurance coverage as part of its risk management program.

The techniques used to obtain unauthorized access to, or to disable or degrade, electronic networks, computers, systems, and solutions are rapidly evolving and have become increasingly complex and sophisticated. Such incidents are likely to continue. The District is unable to predict the direct or indirect impact of those future attacks and activities on the District. Further, as cybersecurity threats continue to evolve, the District may be required to expend significant

additional resources to continue to modify and strengthen security measures, investigate, and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks.

## ENVIRONMENTAL MATTERS

### ENVIRONMENTAL REMEDIATION

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its properties that have been leased to other parties. The District has developed preliminary estimates of environmental remediation costs for major lease sites. The range of estimated remediation costs on December 31, 2023, was between \$29,500,000 and \$42,900,000. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site cleanup costs. Negotiations are under way between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. However, a provision of \$6,300,000 in long-term debt is being recognized as of December 31, 2023, as an estimate of the potential contingent liability of the District. The amount of \$7,050,000 in contingent liability was recognized as of December 31, 2022. This represents a decrease of \$750,000 in the recognized contingent liability between December 31, 2022, and December 31, 2023. Of this \$6,300,000, \$0 is estimated to be the short-term (2024) liability and \$6,300,000 is the estimated long-term (after 2024) liability. A large decrease in contingent liability was registered in 2007 and was largely due to the implementation of Statement No. 49 of the Governmental Accounting Standards Board of Accounting and Financial Reporting for Pollution Remediation Obligations which specifies five obligating events, one of which must occur before a pollution remediation cost can be accrued as a liability.

### WATER QUALITY STANDARDS

In October 2007, the Illinois EPA ("IEPA") initiated a rulemaking with the Illinois Pollution Control Board ("IPCB") arising out of its Proposed Use Attainability Analysis ("UAA") seeking to upgrade the recreational and aquatic use designations and water quality standards for the Chicago Area Waterway System ("CAWS") and Lower Des Plaines River. The rulemaking is captioned "*In the Matter of: Water Quality Standard and Effluent Limitations for the Chicago Area Waterway System and the Lower Des Plaines River: Adm. Code Parts 301, 302, 303 and 304*" (R08-09). The IPCB divided this rulemaking into a general docket and five subdockets: (A) recreational uses; (B) recreational standards and criteria; (C) aquatic life uses; (D) aquatic life use standards and criteria; and (E) issues surrounding Bubbly Creek. The rulemaking concluded with the IPCB having adopted rules in subdockets A through D and closing subdocket E without taking action. The rulemaking's water quality standards that may financially impact the District are those for chloride and dissolved oxygen ("DO").

Effective July 1, 2018, a water quality standard of 500 mg/L for chloride became enforceable for the CAWS. Because it is not feasible for municipal point sources of chlorides to meet the chloride standard while ensuring road safety in the winter months, the District and other dischargers filed a petition for variance which is now referred to as the Chloride Time-Limited Water Quality Standard ("TLWQS"). The IPCB granted the variance with conditions on November 4, 2021, and the United State Environmental Protection Agency ("USEPA") approved the TLWQS

on May 12, 2022. Thereafter, IEPA issued a general chloride TLWQS permit (ILG103) and notices of coverage under that permit for the District’s Stickney, Calumet, O’Brien, and Lemont *WRPs* as well as the District’s Lockport Powerhouse. The Chloride TLWQS will be in effect for 15 years but must be reevaluated every 5 years. After the TLWQS expires, the District may need to expend substantial sums towards the necessary capital improvements to remove chloride from the *WRPs*’ effluent unless the District can show that compliance with the chloride standard is still not feasible and that the TLWQS should be renewed.

Like the chloride standard, the stringent new DO water quality standards for the CAWS may pose a challenge. Due to combined sewer overflows (“*CSOs*”), it is not possible for area waterways that receive discharges from outfalls owned by the District and other entities to consistently meet these DO standards until the District completes its TARP. The District therefore filed a TLWQS petition for its CSO outfalls covered by the discharge permits for the three largest *WRPs*, which the IPCB granted with conditions on December 16, 2021. Because USEPA has not yet approved that TLWQS, however, it is not yet final and effective. Should the USEPA reject the TLWQS, it is possible that the District would be required to install additional aeration stations to obtain temporary relief from the new DO standards. If so, the District would need to expend substantial funds to pay for those stations.

In addition to the new water quality standards for DO and Chloride, the UAA rulemaking resulted in new fecal coliform limits for some portions of the CAWS. The District’s Stickney *WRP* does not discharge to those portions of the CAWS, so it is not currently subject to the fecal coliform limits. However, IEPA recently initiated a “triennial review” of the CAWS water quality standards and is evaluating whether to redesignate the receiving waters for the Stickney *WRP* so that the fecal coliform limits apply. If this transpires, then the District will need to incur substantial capital costs to disinfect the plant’s effluent.

#### NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM

*NPDES Permits.* The District operates its *WRPs* in accordance with National Pollutant Discharge Elimination System (“*NPDES*”) permits issued by the IEPA. The *NPDES* permits for the Calumet and O’Brien *WRPs* were renewed in July 2017, and the Stickney *NPDES* permit was modified at that time. The *NPDES* permits for the Egan, Hanover Park, and Kirie *WRPs* were renewed effective January, May, and August 2021, respectively. All of these permits include phosphorous limits of 1.0 mg/L that must be met within varying timeframes not exceeding 10 years, and subject to interim milestones. At the three largest plants—the Stickney, Calumet, and O’Brien *WRPs*—and at the Kirie plant, the 1.0 mg/L limit is to be followed by a 0.5 mg/L limit that will apply starting in 2030 unless the District makes certain showings such as that this limit is not technologically feasible. Under the permits for all of the above six plants, the District was also required to fund studies on phosphorous in the area waterways within local watersheds. The studies were timely completed and submitted to IEPA at the end of 2023. The agency is evaluating how to incorporate the studies’ respective findings into the District and other dischargers’ *NPDES* permits. While the studies did not independently recommend that any of the *WRPs* be required to meet more stringent phosphorus effluent limits, IEPA could require the District to do so to eliminate nutrient-related impairments identified in the studies. The costs of meeting such limits could be substantial.

## PER- AND POLYFLUOROALKYL SUBSTANCES

Per- and polyfluoroalkyl substances (“*PFAS*”), also known as forever chemicals, are emerging contaminants that have garnered heightened attention in recent years. PFAS are nearly ubiquitous in the environment and show up in the wastewater that WRPs receive from domestic and commercial sources. Because no economically feasible method for removing these PFAS exists, they end up in the effluent and biosolids of WRPs.

In an effort to rapidly regulate certain types of PFAS, the USEPA has undertaken a flurry of action over the last 12 months. Most notably, on April 10, 2024, USEPA finalized national drinking water limits—referred to as Maximum Contaminant Levels (“*MCLs*”)—for six PFAS in drinking water. These standards are some of the lowest ever adopted and include individual MCLs of 4 parts per trillion (ppt) for perfluorooctanoic acid (“*PFOA*”) and perfluorooctane sulfonate (“*PFOS*”).

USEPA has also officially designated PFOA and PFOS as “hazardous substances” under the Comprehensive Response, Compensation, and Liability Act (“*CERCLA*”), which imposes liability on a broad range of “potentially responsible parties” for cleaning up existing contamination. Additionally, USEPA will be releasing draft human health criteria before the end of the year that will likely give rise to stringent water quality standards for certain types of PFAS. Also, before the end of the year, USEPA plans to release its risk assessment for PFAS-containing biosolids.

At the state level, based on a formal IEPA rulemaking proposal, the IPCB issued in March 2024 proposed new standards for six PFAS to be added to Illinois’s groundwater quality regulations. The standards would apply to groundwater that is or could be used for potable water supply and include limits that are as low as, or even lower than, the corresponding national primary drinking water limits. The IPCB must adopt any final rules no more than one year after proposing these “first notice” standards.

These new and forthcoming regulations and related agency activities could give rise to significant compliance costs and liability for the District. The District actively monitors the developments in this area.

## CLEAN AIR ACT PERMITS

The Stickney, Calumet, and Egan WRPs have sufficient potential emissions to require IEPA-issued Clean Air Act permits. The Stickney WRP’s permit expired in 2011 but has been administratively continued pending IEPA’s scheduling of a public hearing on its renewal, which will also address renewal of the plant’s NPDES permit. The Egan and Calumet WRPs’ permits were issued in 2015 and must be renewed in 2025. The construction of new or modified emission units at any of these plants could, if they exceed certain “major modification” emissions, increase thresholds and require additional permitting that can be protracted and ultimately lead to requirements for installation of costly emissions controls. Those thresholds will become even lower for emissions of certain pollutants if, as is expected, USEPA redesignates to “serious” the Chicago area’s nonattainment with the federal ozone standard.

To address that expected development and meet USEPA requirements, IEPA proposed, and the IPCB has quickly advanced, amendments to the regulations limiting nitrogen oxide (“NO<sub>x</sub>”) emissions from certain sources located in ozone nonattainment areas including the Chicago region. The IPCB is expected to adopt by May 2025 final amendments substantially if not entirely identical to IEPA’s proposed revisions. Among other things, the rated heat capacity of industrial boilers subject to NO<sub>x</sub> emission limits would be lowered. This could require the District to install emissions controls, such as low-NO<sub>x</sub> burners, on boilers at one or more of the WRPs.

Additionally, for the Stickney and Calumet WRPs, both considered to be located in “Environmental Justice” (EJ) areas, air permitting could become increasingly protracted and potentially compel the District to address emissions of substances not currently subject to permitted limits (e.g., odors), and to increase its community engagement and outreach efforts. This is particularly the case for construction of WRP infrastructure because permits for that construction are now subject to new requirements under a 2024 settlement agreement between USEPA and IEPA concerning IEPA’s handling of air emissions sources in EJ areas.

### LITIGATION

Upon the delivery of the Bonds, the District will furnish a certificate to the effect that there is no litigation pending or threatened to restrain or enjoin the issuance, sale, or delivery of the Bonds, or in any way contesting the validity or enforceability of the Bonds or the pledge of the District’s full faith, credit, and taxing power for their payment.

The District has previously been and is presently a party to several proposed class action lawsuits in the Circuit Court of Cook County arising out of local sewer back-ups and basement flooding. The District is also in receipt of a number of flooding claims in which lawsuits have not yet been filed. The lawsuits and claims are generally brought in tort, or for constitutional or statutory violations. As of the date of this Official Statement, the District has prevailed in every fully adjudicated matter.

Two flooding cases filed by several homeowners have been consolidated and are currently on appeal to the Illinois Appellate Court for the First District. In addition, an insurer of a commercial building in Chicago has filed a subrogation case that seeks money damages as a result of flooding. The case is premised on tort, statutory, and constitutional grounds and seeks in excess of \$26 million from the District and City of Chicago. The case was removed to the United States District Court of the Northern District of Illinois and is currently in the discovery phase. The estimated potential liability in these matters is \$21 million, of which \$7 million is attributable to the homeowner flooding lawsuits. The District will continue to vigorously contest liability in all of these matters.

The District is also involved in various other litigation matters relating principally to claims arising from construction contracts, enforcing property rights, personal injury, and property damage. The majority of claims and judgments for personal injury and property damage are recovered by insurance or settled and paid from the District’s Reserve Claim Fund. For example, currently, the District is a defendant in a personal injury resulting from a vehicular incident. Most claims and judgments involving construction contracts are tendered to the contractor for defense and indemnification or paid from the Capital Improvement Fund.



## RISK MANAGEMENT

The District is primarily self-insured for the “working layer” of losses. The District purchases excess insurance policies that provide funding for catastrophic level losses. The current coverage includes property coverage for \$12.9 billion in District assets, excess liability coverage for third-party legal liability issues, cyber liability, fiduciary liability, government crime, and travel accident.

The District has statutory authority for a Reserve Claim Fund to pay judgments or claims against the District, including environmental liabilities. Statutory authority authorizes the District to levy an annual property tax not to exceed 0.005% of the equalized assessed valuation of all taxable property within the District. The amount accumulated in the Reserve Claim Fund cannot exceed 0.05% of the equalized assessed property valuation, or approximately \$97.8 million.

The District’s Reserve Claim Fund collected revenues totaling \$10.2 million in 2023 (primarily from property taxes) and made payments totaling \$3.1 million (primarily employee injury claims). The fund balance at December 31, 2023, was \$47.5 million.

For additional information regarding the District’s insurance policies and the Reserve Claim Fund, see “APPENDIX A — Basic Financial Statements.”

## CONTINUING DISCLOSURE

The District will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the MSRB pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission (the “*Commission*”) under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis, and a summary of other terms of the Undertaking, including termination, amendment, and remedies, are set forth below under “THE UNDERTAKING.”

The District represents that, within the past five years, it has not failed to comply in all material respects with each and every continuing disclosure undertaking that it has previously entered into pursuant to the Rule.

A failure by the District to comply with the Undertaking will not constitute a default under the Bond Ordinances and beneficial owners of the Bonds are limited to remedies described in the Undertaking. See “THE UNDERTAKING — Consequences of Failure of the District to Provide Information.” A failure by the District to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the District and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the District.

### ANNUAL FINANCIAL INFORMATION DISCLOSURE

The District covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. Annual Financial Information, exclusive of the Audited Financial Statements, will be provided to the MSRB within 210 days after the last day of the District's fiscal year (currently December 31). Audited Financial Statements, as described below, should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

*“Annual Financial Information”* means the financial information and operating data of the type contained in the Official Statement under the following captions: “DEBT INFORMATION” (excluding information in the table “Estimated Overlapping Bonded Debt,” and graph and information under the heading “Debt Limits and Borrowing Authority”), “BUDGETARY PROCEDURES — Comparative Budget Information,” “TAXATION OF PROPERTY WITHIN THE DISTRICT — STATISTICAL INFORMATION,” “APPENDIX B — CAPITAL IMPROVEMENTS PROGRAM,” Table 1 and Tables 3 through 9 and Exhibit A in “APPENDIX C — PENSION AND OTHER POST-EMPLOYMENT BENEFITS.”

*“Audited Financial Statements”* means the audited financial statements of the District prepared using the accounting standards as follows: Generally Accepted Accounting Principles, as applicable to governmental units (*i.e.*, as subject to the pronouncements of the Governmental Accounting Standards Board) and subject to any express requirements of State law.

Audited Financial Statements shall be provided to the MSRB at the time the Annual Financial Information is provided, or within 30 days after availability to the District, if later.

### REPORTABLE EVENTS DISCLOSURE

The District covenants that it will disseminate to the MSRB in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event), the disclosure of the occurrence of a Reportable Event (as described below) with respect to the Bonds, in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. The *“Reportable Events”* are:

- (i) Principal and interest payment delinquencies
- (ii) Non-payment-related defaults, if material
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties

- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties
- (v) Substitution of credit or liquidity providers, or their failure to perform
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
- (vii) Modifications to the rights of security holders, if material
- (viii) Bond calls, if material, and tender offers
- (ix) Defeasances
- (x) Release, substitution, or sale of property securing repayment of the securities, if material
- (xi) Rating changes
- (xii) Bankruptcy, insolvency, receivership, or similar event of the District
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material
- (xv) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties

#### CONSEQUENCES OF FAILURE OF THE DISTRICT TO PROVIDE INFORMATION

The District is required to give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the District to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the District to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertaking in the event of any failure of the District to comply with the Undertaking shall be an action to compel performance.

#### AMENDMENT; WAIVER

Notwithstanding any other provision of the Undertaking, the District by resolution or ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- (a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a “no action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the District, or type of business conducted; or
- (ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the District (such as bond counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the District shall, if required, make such dissemination to such central post office, governmental agency, or similar entity without the necessity of amending the Undertaking.

#### TERMINATION OF UNDERTAKING

The Undertaking shall be terminated if the District shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The District shall give notice to the MSRB in a timely manner if this paragraph is applicable.

#### ADDITIONAL INFORMATION

Nothing in the Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking, provided that the District shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

## DISSEMINATION OF INFORMATION; DISSEMINATION AGENT

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through its EMMA system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

## UNDERWRITING

The underwriters listed on the cover page of this Official Statement (collectively, the “*Underwriters*”) have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from the District. The purchase price for the 2024A Bonds shall be \$\_\_\_\_\_ (the par amount of the 2024A Bonds less an underwriting discount of \$\_\_\_\_\_ and plus original issue premium of \$\_\_\_\_\_). The purchase price for the 2024B Bonds shall be \$\_\_\_\_\_ (the par amount of the 2024B Bonds less an underwriting discount of \$\_\_\_\_\_ and plus original issue premium of \$\_\_\_\_\_). The purchase price for the 2024C Bonds shall be \$\_\_\_\_\_ (the par amount of the 2024C Bonds less an underwriting discount of \$\_\_\_\_\_ and plus original issue premium of \$\_\_\_\_\_). The purchase price for the 2024D Bonds shall be \$\_\_\_\_\_ (the par amount of the 2024D Bonds less an underwriting discount of \$\_\_\_\_\_ and plus original issue premium of \$\_\_\_\_\_). The purchase price for the 2024E Bonds shall be \$\_\_\_\_\_ (the par amount of the 2024E Bonds less an underwriting discount of \$\_\_\_\_\_ and plus original issue premium of \$\_\_\_\_\_). The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The District maintains various banking relationships with certain Underwriters. Various officers of the Underwriters hold positions on governing boards of certain overlapping units of government.

The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in the Bond Purchase Agreement with respect to the Bonds. The Underwriters are obligated to purchase all of the Bonds if they purchase any of the Bonds.

Barclays Capital Inc. is also acting as Dealer Manager in connection with the Tender Offer. The 2021 Bonds were tendered to the District under the terms of the Invitation with the assistance of the Dealer Manager, in its capacity as Dealer Manager for the Tender Offer, and not as Underwriter of the Bonds. The District has agreed to pay the Dealer Manager a customary fee for its services and to reimburse the Dealer Manager for its reasonable expenses relating to such tender offer from proceeds of the Bonds.

The Underwriters may offer and sell the Bonds to certain dealers (including those dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page. After the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment

banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities, and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color, or trading ideas, and/or publish or express independent research views in respect of such assets, securities or instruments, and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Blaylock Van, LLC (“BV”), an Underwriter has engaged, in the form of an agreement (the “Municipal Securities Distribution Agreement”), with Crews & Associates, Inc. (“C&A”) for the retail distribution of securities offerings at the original issue prices. According to the Municipal Securities Distribution Agreement by BV and C&A, C&A may purchase securities from BV at the original issue price less a negotiated portion of the selling concession applicable to any of the bonds that such C&A sells.

The District intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of the Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds in connection with such Refunded Bonds being redeemed by the District.

#### **CO-FINANCIAL ADVISORS**

The District has engaged Acacia Financial Group, Inc., and Columbia Capital Management, LLC, as co-financial advisors (the “*Co-Financial Advisors*”), in connection with the authorization, issuance and sale of the Bonds. Under the terms of their engagement, the Co-Financial Advisors are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

#### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hardwick Law Firm, LLC, Chicago, Illinois, Co-Bond Counsel who have been retained by and who act as counsel to the District. Certain legal matters will be passed upon for the District by its General Counsel. Certain legal matters will be passed on for the Underwriters by Chapman and Cutler LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Underwriter’s Counsel. Co-Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review

or verify the accuracy, completeness, or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that Co-Bond Counsel has, at the request of the District, reviewed only those portions of the Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates, or any other financial or economic information in connection therewith), and the description of the federal tax status of interest on the Bonds. This review was undertaken solely at the request of the District and did not include any obligation to establish or confirm factual matters set forth herein. Foley & Lardner LLP, Chicago, Illinois, and Holley & Pearson-Farrer LLP, Chicago, Illinois, are Co-Disclosure Counsel to the District.

#### **ADDITIONAL INFORMATION — APPENDICES**

Included in this Official Statement as APPENDIX A are the District's Basic Financial Statements for the year ended December 31, 2023. A description of the District's Capital Improvements Program is included as APPENDIX B. Information regarding the District's Retirement Fund is included as APPENDIX C. Economic and demographic information with respect to Cook County is presented as APPENDIX D. The forms of the opinions of Co-Bond Counsel are included as APPENDIX E. Information concerning DTC and DTC's book-entry system is included as APPENDIX F.

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## AUTHORIZATION

The District has authorized the distribution of this Official Statement.

At the time of delivery of the Bonds, the District will furnish a certificate executed by the Treasurer stating that to the best of his knowledge the Official Statement does not (as of the date thereof and will not at the date of the delivery of the Bonds) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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Treasurer  
Metropolitan Water Reclamation  
District of Greater Chicago  
100 East Erie Street  
Chicago, Illinois 60611  
Telephone: (312) 751 5150



**APPENDIX A**  
**BASIC FINANCIAL STATEMENTS**

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## Independent Auditors' Report

To the Honorable President and Members of the Board Commissioners of  
Metropolitan Water Reclamation District of Greater Chicago

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of December 31, 2023 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Metropolitan Water Reclamation District Retirement Fund, which represent 76 percent, 78 percent, and 64 percent, respectively, of the assets/deferred outflows of resources, fund balance/net position, and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Metropolitan Water Reclamation District Retirement Fund are based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Metropolitan Water Reclamation District Retirement Fund and Retiree Health Care Trust Fund were not audited in accordance with *Government Auditing Standards*.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit for the year ended December 31, 2023 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information for the year ended December 31, 2023 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2023, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2023.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated May 12, 2023, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The Other Supplementary Information for the year ended December 31, 2022 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2022.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical and Demographics Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Report on Summarized Comparative Information**

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information in our report dated May 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Chicago, Illinois  
May 10, 2024

## Management's Discussion and Analysis (MD&A) - Unaudited

Year ended December 31, 2023

Metropolitan Water Reclamation District of Greater Chicago

The Metropolitan Water Reclamation District of Greater Chicago ("District") is providing Management's Discussion and Analysis (MD&A) to assist the readers in understanding the financial information presented in this report. The MD&A includes a discussion of the basic financial statements and their relationship to each other. It also offers an analysis of the District's financial activities at both the government-wide and fund levels, based on known facts, and compares the current year's results to the prior year's. A budgetary analysis of the District's General Corporate Fund is provided, as well as, an analysis of capital assets and debt activity. Finally, the MD&A concludes with a discussion of issues that are expected to be significant to the District's finances.

The MD&A should be read in conjunction with the Clerk/Director of Finance's transmittal letter and the basic financial statements.

### 2023 FINANCIAL HIGHLIGHTS

- The District's government-wide net position is \$5,390,695,000. This is attributed to the District's positive balance of \$5,290,863,000 in net investment in capital assets.
- The District's government-wide net position increased by \$12,238,000. Government-wide net position is a long-term view of the finances of the District. This increase in net position is related to continued investment in the District's infrastructure while continuing to pay the debt obligations used to finance that infrastructure.
- The District's combined fund balances for its governmental funds at December 31, 2023 totaled \$1,003,418,000, an increase of \$109,895,000 from the prior year. The increase is attributable to large increases in property tax revenue due to timing of collections of \$143,371,000, and interest income of \$51,440,000. There was also an increase of \$83,393,000 in departmental expenses, which offset the increase in revenue resulting in the overall increase in fund balance.
- The District's government-wide assets decreased \$53,308,000 from the prior year. The short-term assets increased \$40,454,000 due to a 31.8% increase in investments. This increase from positive market performance was offset by a decrease in long-term assets, i.e. infrastructure, by the decommissioning of the Thornton Transitional Reservoir.
- The District's government-wide liabilities increased by \$317,236,000 in 2023. The increase can be attributed to increases in both the pension and OPEB liabilities totaling \$403,259,000, coupled with a decrease in bonds payable of \$99,277,000.

### DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements include both a short and long-term view of its financial activities. The focus is on both the District as a whole (government-wide) and on major individual funds. The District's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. In addition to the basic financial statements, the financial section of this report includes Required Supplementary Information (RSI) and Combining and Individual Fund Statements and Schedules.

**Government-wide financial statements.** The government-wide financial statements are provided to give readers a long-term overview of the District's finances, similar to a private-sector business. Government-wide statements consist of the Statements of Net Position and Statements of Activities, and are prepared using the accrual basis of accounting and the economic resources (long-term) measurement focus. They include all the District's governmental activities; there are no business-type activities. The fiduciary funds' resources are restricted for employee pensions and other post-employment benefits and are not available to support the operations of the District. The fiduciary funds are not reported in the government-wide financial statements. Due to the implementation of GASB 68

## Management's Discussion and Analysis (MD&A) - Unaudited

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*Year ended December 31, 2023*

*Accounting and Financial Reporting For Pensions and GASB 75 Accounting and Financial Reporting For Postemployment Benefits other than pensions (OPEB)* the District recognizes the assets and liabilities for Pension and OPEB.

The Statements of Net Position report the financial position of the District as a whole, presenting all the assets and liabilities (including capital assets and long-term obligations), with the difference between the assets and deferred outflows of resources less liabilities and deferred inflows of resources representing net position. The increase or decrease in net position over time can serve as a useful indicator of whether the financial position of the District is improving or worsening.

The Statements of Activities report the operating results of the District as a whole, presenting all revenues and expenses of the District and the change in net position. The Statements of Activities include revenues earned in the current fiscal year that will be received in future years (revenue for uncollected taxes), and expenses incurred for the current year that will be paid in future years (expenses for accumulated, but unused, compensated absences). Revenues are segregated as general revenues and program revenues. General revenues include taxes, interest on investments, and all other revenues not classified as program revenues. Program revenues include charges for services (e.g. user charges, land rentals, lease revenue, fees, forfeitures, and penalties) and capital grants. Depreciation for depreciable capital assets is recorded as an expense in this statement.

**Fund financial statements.** The District uses fund accounting to demonstrate compliance with finance-related legal requirements. For this purpose, a fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives.

The fund financial statements include information segregated between the District's governmental funds and its fiduciary funds. The governmental funds are used to account for the day-to-day activities of the District, while the fiduciary funds account for employee pensions (Pension Trust Fund) and other post-employment benefits (OPEB Trust Fund). The Governmental Funds Balance Sheets and Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balances focus the reader's attention on the short-term financial position and results of operations, respectively, using the modified accrual basis of accounting. They also include budgetary statements for the General Corporate Fund and the Retirement Fund that compare the original and final budget amounts to actual results. This statement is provided to demonstrate compliance with the budget.

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report the net position available for future pension and OPEB benefits and the change in net position, respectively. The fiduciary financial statements utilize the accrual basis of accounting, similar to that used for the government-wide financial statements.

**Reconciliation of governmental fund financial statements to government-wide financial statements.** Reconciliations are required to explain the differences between the fund and government-wide financial statements because the short-term focus of governmental fund financial statements is narrower than the long-term government-wide financial statement focus. As a special purpose government, the District has elected to present the reconciliation by combining the presentation of the governmental fund statements with the government-wide statements. The Governmental Funds Balance Sheets are reconciled to the Statements of Net Position in a combined financial statement presentation (Exhibit A-1). The Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances are reconciled to the Statements of Activities in a combined financial statement presentation (Exhibit A-2).

**Notes to the basic financial statements.** The basic financial statements include notes that provide additional disclosure to further explain the financial data provided in the basic financial statements.



## KEY FINANCIAL COMPARISONS

**Property taxes.** The primary source of revenue for the District is ad valorem property taxes. All District funds, with the exception of the District's Capital Improvements Bond Fund, derive their revenues primarily from property taxes. Timing of collections is significant when looking at governmental funds versus the statement of activities property tax revenue. Although in the governmental funds the property taxes increased by \$178,334,000 due to catch-up of prior year late collections of property taxes, the governmental activities tax revenues increased by \$23,521,000 in the District's Statement of Activities, as shown on page 10. Since property taxes are accrued to the extent they are measurable and available to satisfy liabilities within sixty days of year end, late collections were properly accrued to the current year causing a large swing between the governmental funds and the statement of activities.

**Personal property replacement tax.** Personal property replacement tax (PPRT) provides income tax revenue from corporations, partnerships, and invested capital of public utilities. PPRT is an economically sensitive revenue that is expected to decline over the next few years before stabilizing. In 2023, PPRT decreased by \$34,963,000 compared to the prior year. It is expected to continue to decline, albeit at a slower rate.

**Program revenue.** User Charge revenues increased \$5,953,000 as shown on page 12. User charge revenue is another economically sensitive revenue that correlates directly to industrial activity in the service area. Increased discharge by the User Charge community resulted in revenues growing by \$4.9 million with Ingredion Inc. responsible for \$2.5 million. Another \$1 million is attributable to rate increases. Land rental revenues decreased \$7,923,000 due to timing of the rental cash receipts.

**Interest on Investments.** The increase in interest income of \$51,440,000, as shown on page 10, was caused by rising interest rates. To counter high inflation levels, the Federal Reserve increased interest rates eleven times between March 2022 and July 2023. As a result, the average interest rate on District investments nearly tripled from 1.35% in 2022 to 3.841% in 2023.

**Construction costs.** The increase in construction costs of \$178,844,000, as shown on page 10, is caused by the completion and transfer of several projects from Construction in Progress to Infrastructure, the largest being the Addison Creek Reservoir. In addition, infrastructure decreased due to the decommissioning of the Thornton Composite Transitional Reservoir. The net effect to construction costs is an increase of \$130 million. Several projects were either started or increased activity in 2023 which caused an additional increase to construction costs of \$49 million. These projects include 07-027-3SR North Side Sludge Pipeline Replacement, 16-127-3DR A/B and C/D Service Tunnel Rehabilitation, 23-902-31 LASMA Pavement Rehabilitation, 17-131-4FR McCook Reservoir Rock Wall Stabilization, 18-254-3P Chemical Phosphorus Removal Facility, 20-IGA-29 Van Buren & 5th Area Storm Relief, and 14-253-AF Diversion Channel for Flood Control Project on Midlothian Creek.

**Pension costs.** The pension cost increased \$147,511,000, as seen on page 10. A portion of the annual pension expense is the contributions to the Pension Trust Fund based on the property tax levied. The remainder of the pension expense includes employee service cost, interest, differences between expected and actual investments, and administrative expenses. The current year increase is primarily attributed to a \$90 million increase in amortization of the difference between projected and actual earnings. Other fluctuations in the remaining GASB 68 pension expense add to the overall increase. A detailed table of these additional items can be found in Note 7, Pension Plan.

**Claims and judgments.** The \$5,359,000 decrease in claims and judgments expense, on page 10, is due to decreases in environmental remediation costs and constructions claims.

**Employee costs.** The District's employee-related expenditures, on page 12 consist of employee base salaries and overtime pay, employee benefits, including social security, Medicare, health, dental and life insurance, tuition, training, mileage, and other travel expenses. The District's employee-related expenditures are the largest single cost

## Management's Discussion and Analysis (MD&A) - Unaudited

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*Year ended December 31, 2023*

of the General Corporate Fund, comprising 59.9% of the total outlays for 2023. The 3.4% increase in employee costs of \$8,015,000 is the result of an increase of \$9.3 million in salaries expenditures. Salary increases are related to step increases and a 2023 cost of living adjustment. Healthcare costs decreased by \$1.2 million and employee claims decreased by \$1 million.

**Energy costs.** Energy costs in the General Corporate Fund increased by \$10,467,000 or 25.3%, as shown on page 12. Energy costs are made up of electricity and natural gas. The increase was due to a higher electrical energy supply rate in 2023. Changes in operational factors at the water reclamation plants cause variations in the electricity and natural gas accounts. The weather plays an especially large role in determining operational requirements and conditions. Additionally, the District participates in a reverse electricity auction to ensure the best available market price and manage electricity costs. Natural gas costs decreased by \$1,264,000 or 36.5%.

**Chemical costs and Materials, parts, and supplies costs.** Chemical costs in the General Corporate Fund increased \$3,735,000 and materials, parts, and supplies costs increased \$2,542,000, as shown on page 12. Both increases were due largely to ongoing price increases which outpaced the Consumer Price Index, particularly in the chemical category. Chemical costs will continue to rise as the District adheres to regulatory requirements for phosphorus and nitrogen. The new regulatory limits became effective at the Stickney WRP in August, 2021 and at the Calumet WRP in January 2024.

**ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A condensed comparison of the Statements of Net Position for December 31, 2023 and 2022, is presented in the following schedule (in thousands of dollars):

	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
<b>Assets:</b>				
Current and other assets	\$ 2,049,986	\$ 2,009,532	\$ 40,454	2.0 %
Capital assets	7,787,565	7,881,327	(93,762)	(1.2)
Total assets	9,837,551	9,890,859	(53,308)	(0.5)
<b>Deferred Outflows of Resources:</b>				
Deferred amounts related to pension	405,360	186,004	219,356	117.9
Total deferred outflows of resources	405,360	186,004	219,356	117.9
<b>Liabilities:</b>				
Current liabilities	256,977	225,669	31,308	13.9
<b>Long-term liabilities:</b>				
Due within one year	162,920	185,062	(22,142)	(12.0)
Due in more than one year	4,067,989	3,759,919	308,070	8.2
Total Long-term liabilities	4,230,909	3,944,981	285,928	7.2
Total liabilities	4,487,886	4,170,650	317,236	7.6
<b>Deferred Inflows of Resources:</b>				
Deferred inflows related to leases	337,129	329,230	7,899	2.4
Deferred inflows for other pension and OPEB amounts	27,201	172,451	(145,250)	(84.2)
Total deferred inflows of resources	364,330	501,681	(137,351)	(27.4)
<b>Net Position:</b>				
Net investment in capital assets	5,290,863	5,275,501	15,362	0.3
Restricted	824,156	777,326	46,830	6.0
Unrestricted (Deficit)	(724,324)	(674,370)	(49,954)	7.4
Total net position	\$ 5,390,695	\$ 5,378,457	\$ 12,238	0.2 %

The above schedule reports that the District's net position totaled \$5,390,695,000 at December 31, 2023, which represents the amount by which the District's assets and deferred outflows exceeded its liabilities and deferred inflows. The largest portion of the net position, \$5,290,863,000, represents the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net position totaled \$824,156,000 and represents resources that are subject to external or legal restrictions as to how they may be spent, including federal grants or state loans, capital bond proceeds, tax levies for working cash, and debt service. The remaining portion of the unrestricted net position is a deficit of \$724,324,000.

## Management's Discussion and Analysis (MD&A) - Unaudited

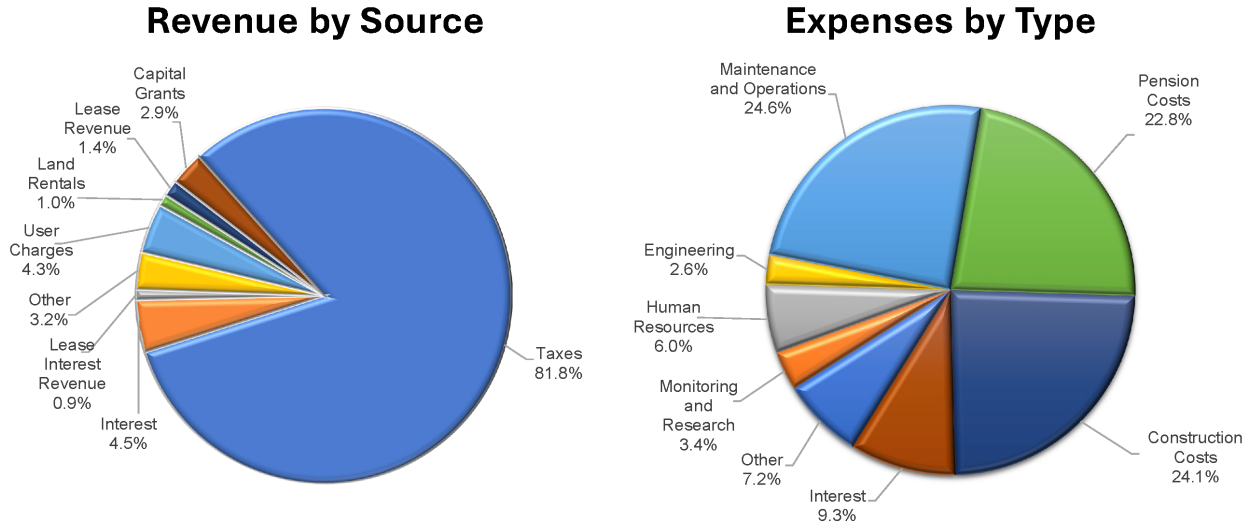
Year ended December 31, 2023

A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2023 and 2022 is presented in the following schedule (in thousands of dollars):

	2023	2022	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues</b>				
General Revenues:				
Taxes	\$ 791,094	\$ 802,536	\$ (11,442)	(1.4)%
Interest	43,162	(8,278)	51,440	(621.4)
Lease interest revenue	8,557	8,005	552	6.9
Other	26,706	21,179	5,527	26.1
Program Revenues:				
User charges	41,890	35,937	5,953	16.6
Land rentals	9,479	17,402	(7,923)	(45.5)
Lease revenue	13,919	13,311	608	4.6
Fees, forfeits, and penalties	4,054	4,627	(573)	(12.4)
Capital grants	28,115	29,375	(1,260)	(4.3)
Total revenues	<u>966,976</u>	<u>924,094</u>	<u>42,882</u>	4.6
<b>Expenses</b>				
Board of Commissioners	4,700	4,384	316	7.2
General Administration	20,060	17,664	2,396	13.6
Monitoring and Research	31,965	30,607	1,358	4.4
Procurement and Materials Management	6,228	6,109	119	1.9
Human Resources	57,606	57,191	415	0.7
Information Technology	19,843	18,097	1,746	9.6
Law	7,074	6,999	75	1.1
Finance	3,867	3,652	215	5.9
Engineering	24,329	25,591	(1,262)	(4.9)
Maintenance and Operations	234,959	210,462	24,497	11.6
Pension costs	217,307	69,796	147,511	211.3
OPEB Trust Fund costs	(5,341)	(21,948)	16,607	(75.7)
Claims and judgments	1,003	6,362	(5,359)	(84.2)
Construction costs	230,341	51,497	178,844	347.3
Loss on disposal of capital assets	132	84	48	57.1
Unallocated depreciation	11,440	11,559	(119)	(1.0)
Redemption of bonds	1	—	1	100.0
Interest	89,224	90,475	(1,251)	(1.4)
Total expenses	<u>954,738</u>	<u>588,581</u>	<u>366,157</u>	62.2
Increase in net position	12,238	335,513	(323,275)	(96.4)
Total net position, beginning of year	5,378,457	5,042,944	335,513	6.7
Total net position, end of year	<u>\$ 5,390,695</u>	<u>\$ 5,378,457</u>	<u>\$ 12,238</u>	0.2 %

Total revenues increased by \$42,882,000 in 2023, or 4.6% from the prior year. Total expenses increased by \$366,157,000 in 2023, or 62.2%. The major reasons for the variances are detailed under Key Financial Comparisons on page 7.

The following charts show the major sources of revenue and expenses for the year ended December 31, 2023:



**ANALYSIS OF DISTRICT’S GOVERNMENTAL FUND FINANCIAL STATEMENTS**

As previously discussed, the focus of the District’s governmental funds is on short-term inflows and outflows, and currently available resources. The emphasis in the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the governmental fund financial statements. For 2023, the District reports four major funds and two non-major funds. The four major governmental funds are General Corporate Fund, Retirement Fund, Capital Improvements Bond Fund, and Debt Service Fund. The non-major governmental funds are the Construction Fund and the Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of \$1,003,418,000, an increase of \$109,895,000 or 12.3% from 2022. A total of \$45,960,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled \$673,438,000, assigned fund balances totaled \$166,734,000, and the remaining fund balance of \$117,286,000 was unassigned.

**General Corporate Fund.** The General Corporate Fund is the principal operating fund of the District. It includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund’s fund balance at the end of the current fiscal year totaled \$490,099,000. The fund balance represented 119% of the General Corporate Fund expenditures, a positive indication of the fund’s liquidity. The total fund balance for the General Corporate Fund had an increase of \$71,898,000 from 2022. The District’s General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1b on pages 34-40.

The General Corporate Fund ended the year with an unassigned fund balance of \$117,286,000 due to the required reserve claims restriction, non-spendable inventories, and restricted working cash.

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Year ended December 31, 2023

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2023 and 2022 is shown in the following schedule (in thousands of dollars):

	General Corporate Fund Comparative Revenue Schedule					
	2023		2022		Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Revenues:						
Property taxes	\$ 327,428	63.7 %	\$ 241,727	51.9 %	\$ 85,701	35.5 %
Personal property replacement tax	77,136	15.0	126,312	27.1	(49,176)	(38.9)
Total tax revenue	404,564	78.7	368,039	79.0	36,525	9.9
Interest on investments	17,847	3.5	(336)	—	18,183	(5,411.6)
Lease interest revenue	8,557	1.7	8,005	1.7	552	6.9
Tax increment financing distributions	12,273	2.4	15,455	3.3	(3,182)	(20.6)
Claims and damage settlements	84	—	137	—	(53)	(38.7)
User charges	41,890	8.2	35,937	7.7	5,953	16.6
Land rentals	9,479	1.8	17,402	3.8	(7,923)	(45.5)
Lease revenue	13,919	2.7	13,311	2.9	608	4.6
Fees, forfeits, and penalties	3,255	0.6	3,356	0.7	(101)	(3.0)
Federal and state grants	118	—	208	—	(90)	(43.3)
Miscellaneous	1,842	0.4	4,074	0.9	(2,232)	(54.8)
Total revenues	<u>\$ 513,828</u>	<u>100.0 %</u>	<u>\$ 465,588</u>	<u>100.0 %</u>	<u>\$ 48,240</u>	<u>10.4 %</u>

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, lease interest, rental income, and tax increment financing distributions. In 2023, General Corporate Fund revenues totaled \$513,828,000, an increase of \$48,240,000, or 10.4% from 2022. The major variances in revenues are explained under Key Financial Comparisons on page 7.

A comparative analysis of the General Corporate Fund expenditures by object class for the years ended December 31, 2023 and 2022, is shown in the following schedule (in thousands of dollars):

	General Corporate Fund Comparative Expenditures Schedule					
	2023		2022		Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Expenditures:						
Employee Cost	\$ 246,904	59.9 %	\$ 238,889	62.5 %	\$ 8,015	3.4 %
Energy Cost	51,910	12.6	41,443	10.8	10,467	25.3
Chemicals	15,501	3.8	11,766	3.1	3,735	31.7
Solids & waste disposal	19,413	4.7	17,761	4.6	1,652	9.3
Repairs to structures/equipment	26,986	6.5	26,719	7.0	267	1.0
Materials, parts, & supplies	16,892	4.1	14,350	3.7	2,542	17.7
Insurance	4,469	1.1	4,072	1.1	397	9.7
Professional services	5,227	1.3	4,656	1.2	571	12.3
Claims and judgments	3,111	0.8	4,335	1.1	(1,224)	(28.2)
Other	21,517	5.2	18,809	4.9	2,708	14.4
Total expenditures	<u>\$ 411,930</u>	<u>100.0 %</u>	<u>\$ 382,800</u>	<u>100.0 %</u>	<u>\$ 29,130</u>	<u>7.6 %</u>

In 2023, General Corporate Fund expenditures totaled \$411,930,000, an increase of \$29,130,000, or 7.6%, from 2022. Employee costs, energy costs, solids and waste disposal, and repairs to structural equipment were the four largest expenditure components of the General Corporate Fund in 2023. The major variances in expenses are explained under Key Financial Comparisons on page 7.

**Other Major Funds.** The District's Debt Service Fund accounts for property tax revenues and interest earnings used for the payment of principal and interest on bonded debt. The Debt Service Fund's fund balance at the end of the current fiscal year totaled \$131,505,000. The fund balance represented 55.2% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by \$34,586,000 in the current year due to an increase in revenue collections and a decrease in bonds payable as there was a \$43 million prepayment in the prior year.

The Capital Improvements Bond Fund is a capital projects fund used by the District for the construction and preservation of capital facilities. The Capital Improvements Bond Fund's resources are bond proceeds, government grants, and state revolving fund loans. The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled \$259,868,000. This amount will provide resources for the 2024 capital construction program. The fund balance represented 250% of the fund's expenditures. The fund balance decrease of \$30,016,000 is due to an increase in construction costs and an increase in bond anticipation notes issued.

The Retirement Fund is classified as a major fund because total liabilities in prior years have been greater than 10% of the total governmental funds and the fund is used for collection of the tax levy, which is remitted to the Pension Board. This presentation remains for comparative purposes. There is no fund balance for the Retirement Fund at the end of the current fiscal year, as all funds are due and transferred to the District's Pension Fund.

### **GENERAL CORPORATE FUND BUDGET ANALYSIS**

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2023 original budget to the final amended budget and actual results for the General Corporate Fund is presented in the basic financial statements (Exhibit A-3). A comparison of the General Corporate Fund's 2023 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

## Management's Discussion and Analysis (MD&A) - Unaudited

Year ended December 31, 2023

A condensed summary of the 2023 General Corporate Fund budget and actual amounts is presented in the following schedule (in thousands of dollars):

	Budget		Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property and personal property replacement taxes	\$ 348,295	\$ 348,295	\$ 348,517	\$ 222
Adjustment for working cash borrowing	(7,240)	(7,240)	(7,240)	—
Adjustment for estimated tax collections	—	—	23,049	23,049
Tax revenue available for current operations	341,055	341,055	364,326	23,271
User charges	37,000	37,000	38,537	1,537
Interest on investments	6,968	6,968	14,771	7,803
Tax increment financing distributions	12,500	12,500	12,273	(227)
Land rentals	28,000	28,000	31,005	3,005
Claims and damage settlements	—	—	48	48
Other	8,175	8,175	5,234	(2,941)
Total revenues	433,698	433,698	466,194	32,496
Operating expenditures:				
Board of Commissioners	5,904	5,904	4,674	1,230
General Administration	23,449	23,449	19,541	3,908
Monitoring and Research	35,660	35,660	31,290	4,370
Procurement and Materials Management	11,817	11,817	9,868	1,949
Human Resources	67,607	67,607	57,914	9,693
Information Technology	22,895	22,895	19,857	3,038
Law	8,640	8,640	7,080	1,560
Finance	4,224	4,224	3,847	377
Engineering	30,659	30,659	23,553	7,106
Maintenance and Operations	264,210	264,210	232,872	31,338
Claims and judgments	46,014	46,014	3,111	42,903
Total expenditures	521,079	521,079	413,607	107,472
Revenues over (under) expenditures	(87,381)	(87,381)	52,587	139,968
Fund balance at beginning of year	299,005	299,005	267,815	(31,190)
Fund balance available for future use	(211,624)	(211,624)	—	211,624
Fund balance at beginning of year	87,381	87,381	267,815	180,434
Fund balance at end of the year	\$ —	\$ —	\$ 320,402	\$ 320,402

Actual revenues on a budgetary basis for 2023 in the General Corporate Fund totaled \$466,194,000, or \$32,496,000 more than budgeted revenues, a 7.5% variance. Property taxes and personal property replacement taxes (PPRT) were \$23,271,000 more than budget, due to collections of PPRT significantly higher than budgeted. PPRT is an economically sensitive revenue that overperformed in 2023. User charge receipts were \$1,537,000 more than budgeted due to the timing of collections and issuance of refunds. Interest on investments was \$7,803,000 over budget. The District benefited from the increase in returns in fixed income securities throughout 2023 due to the rise in interest rates. Land rentals were \$3,005,000 more than budget, due to a continued effort to maximize the District's real estate portfolio, as well as, increases due to the increase in consumer price index used to value a large portion of District leases.



The 2023 General Corporate Fund final appropriation of \$521,079,000 is the same as the original amount. Actual budgetary expenditures totaled \$413,607,000, or 79.4%, of the total appropriation. The \$107,472,000 excess of appropriations over actual expenditures was primarily due to claims and judgments costs being \$42,903,000 less than appropriations, and positive variances in expenditures from all departments, most noticeably a \$31,338,000 positive variance for Maintenance and Operations and a \$9,693,000 positive variance for Human Resources. Actual health claims for active employees and retirees were combined \$5,300,000 under budget. The Health Reimbursement Account program and employee vacancies each were also approximately one million less than budgeted. Maintenance and Operations variance is due to budgetary surpluses in several major expenditure categories, including salaries, electricity, natural gas, sludge disposal, chemicals, materials, and equipment. Salaries were below the budgeted amount due to position vacancies throughout the year. The surplus in electricity can be attributed to the application of the remaining 2022 Carbon Free Resource Adjustment (CFRA) credits to invoices issued in Q1 2023. The credits were not included when developing the 2023 budget. The surplus in natural gas is explained by the decline in the price per therm, which was greater than anticipated. Expenditures for sludge disposal fell short of the budget estimate due to ongoing repairs at the pelletizer facility, which resulted in lower production levels. The surplus in chemicals can be partially attributed to the delay in starting up the new dosing facility at the Calumet WRP. Also, the need for chemicals is dependent on operating conditions, which fluctuate throughout the year. Expenditures in the materials and equipment category were below the budgeted amounts due in large part to the carry forward of purchase orders from 2023 to 2024, the result of long delivery lead times.

The District’s Reserve Claim fund actual payments were significantly lower than budgeted, resulting in a large variance between budget and actual, as it is the policy of the District to appropriate the entire Reserve Claim fund balance. This is consistent with the Board of Commissioners’ policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations.

### CAPITAL ASSETS AND MODIFIED APPROACH

**Capital Assets.** The District’s reportable capital assets, net of accumulated depreciation, as of December 31, 2023, amounted to \$7,787,565,000. Reportable capital assets, net of accumulated depreciation, for 2023 as compared to 2022 are as follows (in thousands of dollars):

	2023	2022	Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 143,960	\$ 143,960	\$ —	— %
Permanent easements	2,763	2,763	—	—
Buildings	5,874	6,059	(185)	(3.1)
Machinery and equipment	23,307	21,504	1,803	8.4
Computer software	—	21	(21)	(100.0)
Right to use asset	23,989	26,075	(2,086)	(8.0)
Depreciable infrastructure	1,559,776	1,595,184	(35,408)	(2.2)
Modified infrastructure	5,677,625	5,648,872	28,753	0.5
Construction in progress	350,271	436,889	(86,618)	(19.8)
Total	\$ 7,787,565	\$ 7,881,327	\$ (93,762)	(1.2)%

Significant capital asset changes during the current fiscal year included the following:

- Total capital assets decreased by \$93,762,000 in 2023. Several projects were completed and transferred from Construction in Progress to Modified infrastructure. The largest of these projects was the Addison Creek reservoir which caused the majority of the decrease to Construction in Progress. A similar increase in infrastructure is not displayed above as the Thornton Composite Transitional Reservoir was decommissioned, which resulted in a \$109,169,000 decrease in infrastructure.

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- Construction in progress (CIP) decreased by \$86,618,000 in 2023 primarily due to the substantial completion of the Addition Creek Reservoir, which resulted in a transfer of \$87,084,000 from construction in progress to infrastructure. Construction of other large projects, including a chemical phosphorus removal facility at Calumet and a diversion channel at Midlothian Creek, account for any increase in construction in progress that were offset by the transfer.
- In addition to the completion of the Addison Creek Reservoir noted above, additional increases to Modified infrastructure are due to substantial completion of the Melvina ditch reservoir expansion, the Thornton rock dam treatment and the completion of a flood control project in Crestwood.

In addition to the above, commitments totaling \$368,582,000 remain outstanding for ongoing construction projects. Additional disclosure on construction commitments can be found in Note 9 to the basic financial statements.

**Modified approach.** The District's infrastructure assets include interceptor sewers, wastewater treatment basins, waterway assets (such as reservoirs and aeration stations) and deep tunnels, drop shafts and regulating elements that make up a pollution and flood control program called TARP. The District is using the modified approach to report its infrastructure assets, with the exception of the TARP deep tunnels and drop shafts, which are depreciated. The District elected the modified approach to: (a) clearly convey to the taxpayers the District's efforts to maintain infrastructure assets at or above an established condition level; (b) provide and codify a process to coordinate construction projects between the Engineering and Maintenance and Operations departments; (c) readily highlight infrastructure assets that need significant repair, rehabilitation, or replacement under a construction project; and (d) provide additional evaluative information to bond rating agencies to help ensure that the District's bond rating is maintained at the highest level.

The Kirie, Hanover, Egan, Central (Stickney), O'Brien, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2021. The Egan and O'Brien networks each had its most recent condition assessment completed in 2022. Kirie, Central (Stickney) and Waterways each had its most recent condition assessment completed in 2023. (See further discussion of the modified approach in the Required Supplementary Information Section).

As noted in the Required Supplementary Information section, the condition ratings for eligible infrastructure assets compare favorably with the District's target level of acceptable or better. In addition, there are no significant differences between the estimated maintenance and preservation costs and the actual costs. Additional disclosure on the District's capital assets and modified approach can be found in the Notes 1.j. and Note 6 to the basic financial statements and in the Required Supplementary Information section.

**DEBT ACTIVITY**

**Long-term Debt.** The District’s long-term liabilities as of December 31, 2023, totaled \$4,230,909,000. The breakdown of this debt and changes from 2022 to 2023 are as follows (in thousands of dollars):

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Net bonds payable	\$ 2,681,872	\$ 2,816,854	\$ (134,982)	(4.8)%
Bond anticipation notes	42,786	18,942	23,844	125.9
Claims payable	18,946	21,054	(2,108)	(10.0)
Compensated absences	16,416	17,205	(789)	(4.6)
Availability payment arrangement	20,966	24,262	(3,296)	(13.6)
Net pension liability	1,361,643	1,020,180	341,463	33.5
Net OPEB liability	88,280	26,484	61,796	233.3
Total	<u>\$ 4,230,909</u>	<u>\$ 3,944,981</u>	<u>\$ 285,928</u>	7.2 %

Significant changes in long-term liabilities during the current fiscal year included the following:

- Net bonds payable decreased by \$134,982,000 in 2023 as a result of the scheduled bond payments throughout 2023.
- Bond anticipation notes increased by \$23,844,000 in 2023 because the short-term notes have not yet been converted to bonds.
- Claims payable decreased by \$2,108,000 primarily due to a claim payout in 2023. Other claims including workmens compensation, environmental remediation claims and incurred but not reported health claims remained comparable to the prior year.
- Compensated absences decreased as employees continued to use their paid time off benefits.
- A number of items factor into the changes in the net pension liability, however, the \$341,463,000 increase in the liability was most notably due to poor market performance causing a \$232,449,000 increase in the liability. See Note 7 for additional details on the items that make up the total net pension liability.

The District’s general obligation bonds have the following long-term credit ratings:

Standard & Poor’s Financial Services. LLC	AA+
Fitch, Inc.	AAA
Moody’s Investors Service	Aa1

Additional disclosure on debt can be found in Note 11 to the basic financial statements.

**Debt Limits and Borrowing Authority.** Various applicable sections of the Illinois Compiled Statutes establish the following limitations relative to the District’s debt:

Effective October 1, 1997, the District may fund up to 100% of the aggregate total of the estimated amount of taxes levied or to be levied for corporate purposes, plus the General Corporate Fund portion of the personal property replacement tax, through borrowing from the Corporate Working Cash Fund and issuance of tax anticipation notes or warrants. The policy of the District currently is to fund up to 95%. The provisions also pertain to the Construction, Construction Working Cash, Stormwater Management, and Stormwater Working Cash Funds.

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The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was \$181,643,464,000 for the 2022 property tax levy. At December 31, 2023, the District's statutory debt limit of \$10,444,499,000 exceeded the applicable net debt amount of \$2,504,525,000 by \$7,939,974,000; therefore, the District is in compliance.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Beginning in 2003, bonds may be issued during any budget year in an amount not to exceed \$150 million plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to refunding bonds, money received from the Water Pollution Control Revolving Fund, and obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized, unissued and carried forward were \$450,000,000 at December 31, 2023.

The District has authority to issue bonds without seeking voter approval via referendum through the year 2034. When the Property Tax Extension Limitation Law was made applicable to Cook County the legislature recognized that the completion of the Tunnel and Reservoir Plan (TARP) was such a high priority that it exempted TARP bonds from tax cap limits. In 2010, the Local Government Debt Reform Act was amended. The District's debt service extension base for the levy year 2023 is \$193,530,013 (the "Debt Service Extension Base"), which can be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2023, the District's outstanding capital improvement and refunding bonds (excluding State Revolving Fund bonds and alternate bonds) of \$1,611,000,000 was less than the limitation of \$6,085,056,049.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2023, are indicated in the following schedule (in millions of dollars):

### Capital Improvement and Refunding Bonds Outstanding and Remaining Authorization

<u>Year of Issue</u>	<u>Total</u>	<u>Capital Improvement</u>	<u>Refunding</u>
2007	\$ 194	\$ —	\$ 194
2009	600	600	—
2014	50	50	—
2016	343	50	293
2021	424	144	280
Total bonds outstanding at December 31, 2023	1,611	<u>\$ 844</u>	<u>\$ 767</u>
Remaining bond authorization at December 31, 2023	4,474		
Total bond authorization at December 31, 2023	<u>\$ 6,085</u>		

The amount of non-referendum Corporate Working Cash Fund bonds, when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax.

Additional information on the District's debt can be found in Note 11 to the Basic Financial Statements and Exhibits I-10 through I-12 of the Statistical Section.

### **ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT**

The United States economy continued to grow throughout 2023, although not at the pace of the prior year due to historically high inflation and rising interest rates. By year end, Illinois employment had returned to pre-pandemic levels and tax revenue growth allowed for a balanced budget. The improved financial position allowed for payments toward outstanding liabilities, increased contributions to pension, along with significantly increasing the state's rainy-day fund. While inflation remained elevated, it decreased from the recent historical highs of 2022. The Federal Reserve paused its policy of federal funds rate increases in the third quarter of 2023 in hope of reaching the desired level of inflation in 2024.

The equalized assessed valuation of the District has experienced a 3.22% average growth rate over the last ten years, although the 2022 equalized assessed valuation of \$181,643,464,000 is 5% higher than the previous year and shows sustained growth for the fifth straight year. The Cook County Assessor is responsible for all taxable real property within Cook County except for railroad property and pollution control facilities, which are assessed directly by the State of Illinois.

The equalized assessed valuation of real estate property is determined in Cook County based on market values of real estate, reduced by a classification factor determined by property use, and then multiplied by the State of Illinois equalization factor. The statutory objective is to value property at 33 1/3 percent of estimated fair market value. The equalized assessed property valuation of the District is very important due to the primary reliance of the District on property taxes to fund current operations and future capital programs.

A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and most economically diverse geographical areas of Illinois. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division decreased to a seasonally adjusted average rate of 4.3% for 2023, down from 4.6% from 2022. Employment was significantly impacted by the COVID-19 pandemic in the past two years, but has substantially recovered.

**Corporate Fund.** The Corporate Fund is the District's general operating fund and includes appropriation requests for all the day-to-day operational costs anticipated for 2024. The total appropriation for the Corporate Fund in 2024 is \$497.3 million, an increase of \$22.2 million, or 4.5% from the 2023 Adjusted Budget. The 2024 tax levy for the Corporate Fund is \$299.5 million, an increase of \$6.6 million, or 2.3% , compared to the 2023 Adjusted Budget.

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per \$100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2024 is 15.25 cents, a decrease of 0.43 cent from 2023 as adjusted. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of property taxes collected. The major categories of payers: chemical manufacturers, food processors, and government services, are generally expected to maintain their recent level of discharge.

**Stormwater Management Fund.** The Stormwater Management Fund was established by Public Act 93-1049 on January 1, 2005. This fund accounts for tax levies and other revenue to be used for stormwater management activities throughout all of Cook County, including areas that currently lie outside the District's boundaries. The fund consolidates the stormwater management activities of the Engineering and Maintenance & Operations Departments.

## Management's Discussion and Analysis (MD&A) - Unaudited

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*Year ended December 31, 2023*

The Stormwater Management Fund appropriation for 2024 totals \$131.5 million, an increase of \$2.5 million or 2.0% from the 2023 Adjusted Budget. Property taxes are the primary funding source for the District's Stormwater Management Fund. Illinois law limits the tax rate of this fund to five cents per \$100 of equalized assessed valuation. The estimated tax rate for the Stormwater Management Fund in 2024 is 2.93 cents, which is an increase of 0.12 cents from 2023 as adjusted.

Although the primary funding source for the Fund is the Stormwater Property Tax Levy, the District also issued Alternate Revenue Bonds funded from the Stormwater Levy in both the 2015 and 2016 bond offerings. The "green" projects financed by the bonds involve the development, design, planning and construction of regional and local stormwater facilities provided for in the county wide stormwater management plan and the acquisition of real property.

By means of this program, the District has completed Detailed Watershed Plans (DWP) for all six watersheds in Cook County, initiated a Stormwater Management Capital Improvement program, initiated a Small Streams Maintenance Program (SSMP), and adopted and implemented the Watershed Management Ordinance.

Two categories have been established for DWP projects. The first category is streambank stabilization, which involves addressing critical active streambank erosion threatening public safety, structures, and/or infrastructure. The second category of projects addresses regional overbank flooding. The selected projects constitute the Stormwater Capital Improvement Program, and will be scheduled according to funding availability.

Through the management of the SSMP, the Maintenance & Operation Department works to reduce flooding in urbanized areas. The streams that flow through the neighborhoods of Cook County are more than just a scenic part of the landscape but also serve the vital function of draining stormwater and preventing flooding. In order to function, the streams must be maintained, which includes removing blockages and preventing future blockages by removing dead and unhealthy trees and invasive species.

The District's statutory authority for Stormwater Management in Cook County (70 ILCS 2605/7h) was amended in 2014 to allow for the acquisition of flood-prone properties. Subsequent to amending the Cook County Stormwater Management Plan to be consistent with Public Act 98-0652, the District's Board of Commissioners adopted a policy on selection and prioritization of projects for acquiring flood-prone property, which comprises three distinct components, as follows:

- Local Sponsorship Assistance Program: The District's top priority will be to facilitate the Illinois Emergency Management Agency's federally funded program by assisting local sponsor communities in providing their share of the cost for property acquisition.
- District Initiated Program: The cost of a property acquisition alternative will be estimated for any approved project and compared to the estimated cost of the structural project determined through a preliminary engineering analysis. Should the cost of the property acquisition alternative be less than the structural project, and the benefits at least equivalent, the acquisition alternative will be pursued in lieu of the structural project.
- Local Government Application Program: The District will consider applications directly from local governments requesting property acquisition of specific flood-prone structures.

**Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund.** The District's overall Capital Program includes 2024 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately \$1.0 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non-structural improvements, and which cannot be removed without, in some way, impairing the facility or structure.

Projects under construction have been presented and authorized in previous District Budgets and are recognized in the Annual Budget as both outstanding liabilities in the Capital Improvements Bond Fund, and as re-appropriations in the Construction Fund. Future projects, not yet appropriated, are included in the Annual Budget to present a comprehensive picture of the District's Capital program. These future projects will be requested for appropriation subject to their priority, design, and available funding.

The District utilizes two funds for its Capital program, the Construction Fund and the Capital Improvements Bond Fund. The Construction Fund is utilized as a "pay as you go" capital rehabilitation and modernization program. Capital projects are financed by a tax levy sufficient to pay for project costs as they are constructed. As the District replaces, rehabilitates, and modernizes aged and less effective infrastructure, capital projects are assigned to the Corporate, Construction, or Capital Improvements Bond Fund based on the nature of the project, dollar magnitude, and useful life of the improvement. The Construction Fund is used for operations-related projects, where the useful life of the improvement is less than 20 years.

The Capital Improvements Bond Fund, the District's other capital fund, includes major capital infrastructure projects whose useful lives extend beyond 20 years, and which will be financed by either long-term debt, Federal and State grants, and/or State Revolving Fund loans.

The 1995 Tax Extension Limitation Law (Tax Cap), and subsequent amendments to the bill, dramatically impacted the methods of financing the Capital Improvements Bond Fund. The original legislation required, in general, that all new debt be approved by referendum. However, an exemption for projects initiated before October 1, 1991 was granted to the District to enable completion of the TARP. The bill was later amended to establish a "debt extension base," which allowed local governments, with non-referendum authority, to continue to issue non-referendum debt in terms of "limited bonds" as long as their annual debt service levies did not exceed 1994 levels. This law was further amended in 1997 to exclude TARP project debt from this debt service extension base. The passage of legislation in 1997 allowing for expanded authority to issue "limited bonds" by excluding pre-existing TARP projects provides additional financing flexibility to proceed with our Capital program.

The United States Environmental Protection Agency (USEPA) implemented the State Revolving Fund (SRF) to ensure that each state's program is designed and operated to continue to provide capital funding assistance for water pollution control activities in perpetuity, but preserves a high degree of flexibility for operating revolving funds in accordance with each state's unique needs and circumstances. Funds in the SRF are not used to provide grants, but must be available to provide loans for the construction of publicly owned wastewater treatment works. Low interest SRF loans are an integral part of the District's capital improvements financing. SRF revenues are based on the award and construction schedule of specific projects. In 2023, the District received \$34,716,300 in cash receipts for SRF projects and is expected to receive approximately \$50,000,000 in 2024.

**Construction Fund.** The Construction Fund appropriation for 2024 totals \$74,598,800, an increase of \$23,098,400 or 44.9% from the 2023 Adjusted Budget.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2024 tax levy planned for the Construction Fund is \$7,000,000, representing no change from the 2023 Adjusted Levy.

**Capital Improvements Bond Fund.** The 2024 appropriation for the Capital Improvements Bond Fund is \$308,278,600, a decrease of \$66,332,300 or 17.7% from the 2023 Adjusted Budget. Capital projects pursued by the District are: mission critical, improve environmental quality, preservation/rehabilitation of existing infrastructure or commitment to the community through process optimization. The appropriation is based on the scheduled award of \$273,900,000 in projects. The remaining appropriation includes funding for acquisition of easements, bond issuance costs, allowances for contract change orders, and legal and other support services relating to capital projects.

## Management's Discussion and Analysis (MD&A) - Unaudited

Year ended December 31, 2023

The decrease in appropriation for the Capital Improvements Bond Fund of \$66,332,300 reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

The remaining appropriation for this fund will provide for studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, exhibits detailing our entire Capital program, a listing and description of proposed projects, and projects under construction scheduled for 2024, can be found in the Capital Budget (Section V) of the 2024 Budget document.

**Other Post-Employment Benefits (OPEB) Trust.** The District provides subsidized health care benefits for its retirees. The Governmental Accounting Standards Board (GASB) Pronouncement 75 was implemented in 2018 and replaces the requirements of GASB pronouncement 45, which initially required reporting of the future liability for maintaining these benefits in the Annual Comprehensive Financial Report. GASB 75 further addresses accounting and reporting for OPEB including establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 23, 2007. Since inception, the District has budgeted and transferred a total of \$157,400,000 million into the OPEB Trust Fund. The District has continued to contribute \$5.0 million per year until the Trust is fully funded. The net OPEB liability was \$88,280,000 as of the measurement date December 31, 2022. The net OPEB liability was estimated at approximately \$11,698,000 at December 31, 2023.

In 2007, the Board adopted an initial advance funding policy meant to (i) improve the District's financial position by reducing the amount of future contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. On October 2, 2014, the advance funding policy was amended by the Board with the following guidelines:

Target Funding Level: 100% maximum

Funding Period: 12 years

Funding Amount: \$5 million funding in each of the twelve years 2015 through 2026,  
with no further advance funding contribution required after 2026.

Beginning in 2027, cash to be withdrawn from the Trust to fund claims and insurance premiums will be determined by the Trust's actuary with the target funding level to be maintained at 100% for all future years. There is currently no legal requirement for the District to partially or fully fund the OPEB Trust Fund and any funding is on a voluntary basis.

The policy adopted by the District is cautious by design, and will provide ample opportunity for adjustment as experience is gained. Future direction may also be changed significantly by national health care policies and programs.

**Pension and OPEB Reporting Changes.** The District implemented GASB 68, Accounting and Financial Reporting for Pensions, beginning with the year ended December 31, 2015. The OPEB Trust Fund implemented GASB 74 (for post-retirement plan) in 2017 and the District implemented GASB 75 (for employer) in 2018.

**Organized Labor.** The District has seven collective bargaining agreements that cover sixteen unions and include approximately 783 of the District's employees for the purposes of establishing wages and benefits. Three-year successor agreements were negotiated with all bargaining units in 2021 and are set to expire June 30, 2024. Negotiations will begin on successor agreements. Historically, if an agreement is not reached prior to the expiration of the agreement, contract extensions have been agreed to until a final agreement is approved and ratified.



**Retirement Fund.** On August 3, 2012, Former Governor Quinn signed House Bill 4513, now Public Act 97-0894, into law. The tax multiple, which is limited by state statute, was increased in 2013 from 2.19 to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. The employee contributions for Tier 1 employees (those hired before January 1, 2011) increased 1% each year for 3 years beginning January 1, 2013, increasing the contribution rate from 9% to 12%. The employee contributions will remain at 12% until the funded ratio reaches 90% then the contribution rate will be reduced to 9%.

**Lease Reporting Changes.** The District implemented GASB 87 in 2022, Lease Accounting Standard. The implementation caused several changes throughout the financial statements including a restatement of the prior year lease receivable, deferred inflows, land rentals, and lease revenue. Previously, all collections for leases of District property were classified as land rentals. With the implementation of GASB 87, the District has properly reclassified leases over the GASB 87 internal threshold of \$100,000 as lease revenue and begun tracking the principal and interest portions associated with these rental agreements. Leases over the threshold are also included as Lease receivables and Deferred inflows related to leases.

#### **REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is intended to provide a general summary of the District's finances to interested parties, and to demonstrate the District's accountability over the resources it receives. Please contact the Clerk/Director of Finance or Comptroller at the Metropolitan Water Reclamation District of Greater Chicago, 100 E. Erie Street, Chicago, Illinois 60611-2803, (312) 751-6500, if additional information is needed.

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## **BASIC FINANCIAL STATEMENTS**

	General		Debt Service		Capital Improvement	
	Corporate Fund		Fund		Bond Funds	
	2023	2022	2023	2022	2023	2022
<i>(in thousands of dollars)</i>						
<b>Assets and deferred outflows of resources</b>						
Assets:						
Cash	\$ 10,139	\$ 19,860	\$ 3,582	\$ 7,064	\$ 7,077	\$ 20,941
Certificates of deposit	9,541	24,348	—	—	13,111	1,802
Investments (note 4)	425,223	300,868	101,512	36,281	254,216	280,148
Prepaid expenses	7,635	7,177	—	—	—	—
Taxes receivable, net (note 5)	294,311	345,711	232,813	284,251	—	—
Lease receivable (note 14)	341,602	333,054	—	—	—	—
Other receivables, net (note 5)	8,540	3,299	—	—	8,463	9,278
Due from other funds (note 12)	402	371	—	—	—	—
Restricted deposits	323	318	—	—	22,200	29,764
Inventories	37,240	36,274	—	—	—	—
Capital assets not being depreciated/amortized (note 6)	—	—	—	—	—	—
Capital assets being depreciated/amortized, net (note 6)	—	—	—	—	—	—
Total assets	<u>1,134,956</u>	<u>1,071,280</u>	<u>337,907</u>	<u>327,596</u>	<u>305,067</u>	<u>341,933</u>
Deferred outflows of resources:						
Deferred outflows for pension and OPEB related amounts	—	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—	—
Total assets and deferred outflows of resources	<u>\$ 1,134,956</u>	<u>\$ 1,071,280</u>	<u>\$ 337,907</u>	<u>\$ 327,596</u>	<u>\$ 305,067</u>	<u>\$ 341,933</u>
<b>Liabilities, deferred inflows of resources, and fund balances/net position</b>						
Liabilities:						
Accounts payable and other liabilities (note 5)	\$ 44,256	\$ 39,693	\$ —	\$ —	\$ 22,047	\$ 21,332
Due to Pension Trust Fund (note 12)	—	—	—	—	—	—
Due to other funds (note 12)	—	—	—	—	—	—
Accrued interest payable	—	—	—	—	—	—
Unearned revenue	2,538	2,375	—	—	22,199	29,764
Long-term liabilities: (note 11)						
Due within one year	—	—	—	—	—	—
Due in more than one year	—	—	—	—	—	—
Total liabilities	<u>46,794</u>	<u>42,068</u>	<u>—</u>	<u>—</u>	<u>44,246</u>	<u>51,096</u>
Deferred inflows of resources:						
Unavailable tax revenue (note 5)	260,934	281,781	206,402	230,677	—	—
Deferred inflows related to leases	337,129	329,230	—	—	—	—
Other unavailable revenue (note 5)	—	—	—	—	953	953
Deferred inflows for pension and OPEB related amounts	—	—	—	—	—	—
Total deferred inflows of resources	<u>598,063</u>	<u>611,011</u>	<u>206,402</u>	<u>230,677</u>	<u>953</u>	<u>953</u>
Fund balances:						
Nonspendable (note 1r.)	44,875	43,451	—	—	—	—
Restricted for (note 1r.)	327,938	317,567	131,505	96,919	93,134	133,565
Assigned	—	—	—	—	166,734	156,319
Unassigned	117,286	57,183	—	—	—	—
Total fund balances	<u>490,099</u>	<u>418,201</u>	<u>131,505</u>	<u>96,919</u>	<u>259,868</u>	<u>289,884</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,134,956</u>	<u>\$ 1,071,280</u>	<u>\$ 337,907</u>	<u>\$ 327,596</u>	<u>\$ 305,067</u>	<u>\$ 341,933</u>
Net position:						
Net investment in capital assets						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted (Deficit)						
Total net position						

See accompanying notes to the basic financial statements.

# Exhibit A-1 Governmental Funds Balance Sheets/Statements of Net Position

December 31, 2023  
(with comparative amounts for prior year)

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2a)		Statements of Net Position	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
\$ —	\$ —	\$ 11,736	\$ 3,867	\$ 32,534	\$ 51,732	\$ —	\$ —	\$ 32,534	\$ 51,732
—	—	3,565	21,316	26,217	47,466	—	—	26,217	47,466
—	—	115,393	62,974	896,344	680,271	—	—	896,344	680,271
—	—	1,085	4	8,720	7,181	—	—	8,720	7,181
81,454	104,128	58,364	76,010	666,942	810,100	—	—	666,942	810,100
—	—	—	—	341,602	333,054	—	—	341,602	333,054
—	—	861	795	17,864	13,372	—	—	17,864	13,372
—	—	—	—	402	371	(402)	(371)	—	—
—	—	—	—	22,523	30,082	—	—	22,523	30,082
—	—	—	—	37,240	36,274	—	—	37,240	36,274
—	—	—	—	—	—	6,174,619	6,232,484	6,174,619	6,232,484
—	—	—	—	—	—	1,612,946	1,648,843	1,612,946	1,648,843
81,454	104,128	191,004	164,966	2,050,388	2,009,903	7,787,163	7,880,956	9,837,551	9,890,859
—	—	—	—	—	—	405,360	186,004	405,360	186,004
—	—	—	—	—	—	405,360	186,004	405,360	186,004
\$ 81,454	\$ 104,128	\$ 191,004	\$ 164,966	\$ 2,050,388	\$ 2,009,903	\$ 8,192,523	\$ 8,066,960	\$ 10,242,911	\$ 10,076,863
\$ —	\$ —	\$ 16,903	\$ 13,422	\$ 83,206	\$ 74,447	\$ —	\$ —	\$ 83,206	\$ 74,447
19,909	34,596	—	—	19,909	34,596	114,593	69,081	134,502	103,677
—	—	402	371	402	371	(402)	(371)	—	—
—	—	—	—	—	—	14,532	15,406	14,532	15,406
—	—	—	—	24,737	32,139	—	—	24,737	32,139
—	—	—	—	—	—	162,920	185,062	162,920	185,062
—	—	—	—	—	—	4,067,989	3,759,919	4,067,989	3,759,919
19,909	34,596	17,305	13,793	128,254	141,553	4,359,632	4,029,097	4,487,886	4,170,650
61,545	69,532	51,753	62,654	580,634	644,644	(580,634)	(644,644)	—	—
—	—	—	—	337,129	329,230	—	—	337,129	329,230
—	—	—	—	953	953	(953)	(953)	—	—
—	—	—	—	—	—	27,201	172,451	27,201	172,451
61,545	69,532	51,753	62,654	918,716	974,827	(554,386)	(473,146)	364,330	501,681
—	—	1,085	4	45,960	43,455	(45,960)	(43,455)	—	—
—	—	120,861	88,515	673,438	636,566	(673,438)	(636,566)	—	—
—	—	—	—	166,734	156,319	(166,734)	(156,319)	—	—
—	—	—	—	117,286	57,183	(117,286)	(57,183)	—	—
—	—	121,946	88,519	1,003,418	893,523	(1,003,418)	(893,523)	—	—
\$ 81,454	\$ 104,128	\$ 191,004	\$ 164,966	\$ 2,050,388	\$ 2,009,903				
Net position:									
Net investment in capital assets						5,290,863	5,275,501	5,290,863	5,275,501
Restricted for corporate working cash						280,138	276,836	280,138	276,836
Restricted for reserve claim						35,045	26,597	35,045	26,597
Restricted for debt service						323,375	312,190	323,375	312,190
Restricted for capital projects						126,099	103,098	126,099	103,098
Restricted for construction working cash						22,277	21,742	22,277	21,742
Restricted for stormwater working cash						37,222	36,863	37,222	36,863
Unrestricted (Deficit)						(724,324)	(674,370)	(724,324)	(674,370)
Total net position						\$ 5,390,695	\$ 5,378,457	\$ 5,390,695	\$ 5,378,457

Metropolitan Water Reclamation District of Greater Chicago

<i>(in thousands of dollars)</i>	<b>General Corporate Fund</b>		<b>Debt Service Fund</b>		<b>Capital Improvement Bond Funds</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>						
General revenues:						
Property taxes	\$ 327,428	\$ 241,727	\$ 258,226	\$ 201,608	\$ —	\$ —
Personal property replacement tax	77,136	126,312	—	—	—	—
Interest on investments	17,847	(336)	4,784	1,013	14,725	(9,299)
Lease interest revenue	8,557	8,005	—	—	—	—
Tax increment financing distributions	12,273	15,455	—	—	—	—
Claims and damage settlements	84	137	—	—	336	27
Miscellaneous	1,842	4,074	109	3	2,435	1,948
Program revenues:						
Charges for services:						
User charges	41,890	35,937	—	—	—	—
Land rentals	9,479	17,402	—	—	—	—
Lease revenue	13,919	13,311	—	—	—	—
Fees, forfeits, and penalties	3,255	3,356	—	—	—	—
Capital grants and contributions:						
Federal and state grants	118	208	—	—	18,497	14,771
Total revenues	<u>513,828</u>	<u>465,588</u>	<u>263,119</u>	<u>202,624</u>	<u>35,993</u>	<u>7,447</u>
<b>Expenditures/Expenses</b>						
Board of Commissioners	4,673	4,392	—	—	—	—
General Administration	19,651	17,460	—	—	—	—
Monitoring and Research	31,955	30,792	—	—	—	—
Procurement and Materials Management	6,246	6,088	—	—	—	—
Human Resources	57,539	57,199	—	—	—	—
Information Technology	19,677	18,056	—	—	—	—
Law	7,081	7,003	—	—	—	—
Finance	3,846	3,655	—	—	—	—
Engineering	23,545	23,284	—	—	—	—
Maintenance and Operations	234,606	210,536	—	—	—	—
Pension costs	—	—	—	—	—	—
OPEB costs	—	—	—	—	—	—
Claims and judgments	3,111	4,335	—	—	—	—
Construction costs	—	—	—	—	99,540	78,259
Loss on disposal of capital assets	—	—	—	—	—	—
Depreciation and amortization (unallocated)	—	—	—	—	—	—
Debt service:						
Principal payment of bonds	—	—	134,202	173,934	3,297	3,143
Interest and bond issuance costs	—	—	103,862	107,212	1,093	1,247
Total expenditures/expenses	<u>411,930</u>	<u>382,800</u>	<u>238,064</u>	<u>281,146</u>	<u>103,930</u>	<u>82,649</u>
Revenues over (under) expenditures	<u>101,898</u>	<u>82,788</u>	<u>25,055</u>	<u>(78,522)</u>	<u>(67,937)</u>	<u>(75,202)</u>
Other financing sources (uses)						
Bond anticipation notes issued	—	—	—	—	37,921	22,175
Bond anticipation notes converted	—	—	—	—	14,377	51,687
Bond anticipation notes refunded	—	—	—	—	(14,377)	(51,687)
Transfers	(30,000)	(30,000)	9,531	45,133	—	(35,965)
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>9,531</u>	<u>45,133</u>	<u>37,921</u>	<u>(13,790)</u>
Net change in fund balances	71,898	52,788	34,586	(33,389)	(30,016)	(88,992)
Change in net position	—	—	—	—	—	—
Fund balances/net position:						
Beginning of the year	418,201	365,413	96,919	130,308	289,884	378,876
End of the year	<u>\$ 490,099</u>	<u>\$ 418,201</u>	<u>\$ 131,505</u>	<u>\$ 96,919</u>	<u>\$ 259,868</u>	<u>\$ 289,884</u>

See accompanying notes to the basic financial statements.

**Exhibit A-2**  
**Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statements of Activities**

*Year ended December 31, 2023*  
*(with comparative amounts for prior year)*

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2b)		Statements of Activities	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
\$ 77,744	\$ 61,013	\$ 69,546	\$ 50,262	\$ 732,944	\$ 554,610	\$ (56,023)	\$ 98,790	\$ 676,921	\$ 653,400
12,037	22,824	25,000	—	114,173	149,136	—	—	114,173	149,136
—	—	5,806	344	43,162	(8,278)	—	—	43,162	(8,278)
—	—	—	—	8,557	8,005	—	—	8,557	8,005
—	—	9,500	—	21,773	15,455	—	—	21,773	15,455
—	—	115	5	535	169	—	—	535	169
33	1	29	50	4,448	6,076	(50)	(521)	4,398	5,555
—	—	—	—	41,890	35,937	—	—	41,890	35,937
—	—	—	—	9,479	17,402	—	—	9,479	17,402
—	—	—	—	13,919	13,311	—	—	13,919	13,311
—	—	799	1,271	4,054	4,627	—	—	4,054	4,627
—	—	9,500	14,396	28,115	29,375	—	—	28,115	29,375
89,814	83,838	120,295	66,328	1,023,049	825,825	(56,073)	98,269	966,976	924,094
—	—	—	—	4,673	4,392	27	(8)	4,700	4,384
—	—	—	—	19,651	17,460	409	204	20,060	17,664
—	—	—	—	31,955	30,792	10	(185)	31,965	30,607
—	—	—	—	6,246	6,088	(18)	21	6,228	6,109
—	—	—	—	57,539	57,199	67	(8)	57,606	57,191
—	—	—	—	19,677	18,056	166	41	19,843	18,097
—	—	—	—	7,081	7,003	(7)	(4)	7,074	6,999
—	—	—	—	3,846	3,655	21	(3)	3,867	3,652
—	—	—	—	23,545	23,284	784	2,307	24,329	25,591
—	—	—	—	234,606	210,536	353	(74)	234,959	210,462
119,814	113,838	—	—	119,814	113,838	97,493	(44,042)	217,307	69,796
—	—	—	—	—	—	(5,341)	(21,948)	(5,341)	(21,948)
—	—	—	—	3,111	4,335	(2,108)	2,027	1,003	6,362
—	—	77,337	50,331	176,877	128,590	53,464	(77,093)	230,341	51,497
—	—	—	—	—	—	132	84	132	84
—	—	—	—	—	—	11,440	11,559	11,440	11,559
—	—	—	—	137,499	177,077	(137,498)	(177,077)	1	—
—	—	—	—	104,955	108,459	(15,731)	(17,984)	89,224	90,475
119,814	113,838	77,337	50,331	951,075	910,764	3,663	(322,183)	954,738	588,581
(30,000)	(30,000)	42,958	15,997	71,974	(84,939)	(59,736)	420,452	—	—
—	—	—	—	37,921	22,175	(37,921)	(22,175)	—	—
—	—	—	—	14,377	51,687	(14,377)	(51,687)	—	—
—	—	—	—	(14,377)	(51,687)	14,377	51,687	—	—
30,000	30,000	(9,531)	(9,168)	—	—	—	—	—	—
30,000	30,000	(9,531)	(9,168)	37,921	22,175	(37,921)	(22,175)	—	—
—	—	33,427	6,829	109,895	(62,764)	(109,895)	62,764	—	—
—	—	—	—	—	—	12,238	335,513	—	—
—	—	88,519	81,690	893,523	956,287	—	—	5,378,457	5,042,944
\$ —	\$ —	\$ 121,946	\$ 88,519	\$ 1,003,418	\$ 893,523	\$ —	\$ —	\$ 5,390,695	\$ 5,378,457

**Exhibit A-3**  
**General Corporate Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual on Budgetary Basis**

Year ended December 31, 2023

	<i>(in thousands of dollars)</i>			<b>Actual Variance With Final Budget - Positive (Negative)</b>
	<b>Budget</b>		<b>Actual on Budgetary Basis</b>	
	<b>Original</b>	<b>Final</b>		
Revenues:				
Property taxes:				
Gross levy	\$ 292,900	\$ 292,900	\$ 292,900	\$ —
Allowance for uncollectible taxes	(10,252)	(10,252)	(10,252)	—
Net property tax levy	282,648	282,648	282,648	—
Property tax collections	8,722	8,722	8,944	222
Personal property replacement tax:				
Entitlement	56,925	56,925	56,925	—
Total tax revenue	348,295	348,295	348,517	222
Adjustment for working cash borrowing	(7,240)	(7,240)	(7,240)	—
Adjustment for estimated tax collections	—	—	23,049	23,049
Tax revenue available for current operation	341,055	341,055	364,326	23,271
Interest on investments	6,968	6,968	14,771	7,803
Tax increment financing distributions	12,500	12,500	12,273	(227)
Miscellaneous	4,402	4,402	1,758	(2,644)
User charges	37,000	37,000	38,537	1,537
Land rentals	28,000	28,000	31,005	3,005
Claims and damage settlements	—	—	48	48
Fees, forfeits, and penalties	3,773	3,773	3,476	(297)
Total revenues	433,698	433,698	466,194	32,496
Expenditures:				
Board of Commissioners	5,904	5,904	4,674	1,230
General Administration	23,449	23,449	19,541	3,908
Monitoring and Research	35,660	35,660	31,290	4,370
Procurement and Materials Management	11,817	11,817	9,868	1,949
Human Resources	67,607	67,607	57,914	9,693
Information Technology	22,895	22,895	19,857	3,038
Law	8,640	8,640	7,080	1,560
Finance	4,224	4,224	3,847	377
Engineering	30,659	30,659	23,553	7,106
Maintenance and Operations	264,210	264,210	232,872	31,338
Claims and judgments	46,014	46,014	3,111	42,903
Total expenditures	521,079	521,079	413,607	107,472
Revenues over (under) expenditures	(87,381)	(87,381)	52,587	139,968
Fund balances at beginning of year	299,005	299,005	267,815	(31,190)
Fund balances available for future use	(211,624)	(211,624)	—	211,624
Fund balances at beginning of the year	87,381	87,381	267,815	180,434
Fund balances at end of year	\$ —	\$ —	\$ 320,402	\$ 320,402

See accompanying notes to the basic financial statements



**Exhibit A-4**  
**Retirement Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual on Budgetary Basis**

*Year ended December 31, 2023*

*(in thousands of dollars)*

<b>Retirement Fund</b>	<b>Original and Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Actual Variance with Final Budget - Positive (Negative)</b>
Revenues:			
Property taxes	\$ 69,532	\$ 86,086	\$ 16,554
Personal property replacement tax	18,383	18,383	—
Miscellaneous	—	33	33
Equity transfer to Retirement Fund	30,000	30,000	—
Total revenue and equity transfer	<u>117,915</u>	<u>134,502</u>	<u>16,587</u>
Operating expenditures:			
Pension costs	117,915	134,502	(16,587)
Total expenditures	<u>117,915</u>	<u>134,502</u>	<u>(16,587)</u>
Revenues over (under) expenditures	—	—	—
Fund balances at beginning of the year	—	—	—
Fund balances at end of the year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the basic financial statements

**Exhibit A-5**  
**Pension and Other Post Employment Benefits Trust Funds**  
**Statements of Fiduciary Net Position**

December 31, 2023

(with comparative amounts for prior year)

(in thousands of dollars)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash	\$ 274	\$ 356
Receivables		
Employer contributions - taxes (net of allowance for uncollectible amounts)	86,440	103,536
Securities sold	2,118	1,048
Accrued interest and dividends	4,571	4,095
Accounts receivable	102	87
Total receivables	<u>93,231</u>	<u>108,766</u>
Investments at fair value		
Equities	433,831	319,090
U.S. Government and government agency obligations	121,104	110,559
Corporate and foreign government obligations	100,815	100,661
Fixed Income Mutual Funds	100,437	90,210
Mutual and exchange traded funds	256,234	232,027
Pooled funds - equities	418,372	428,980
Pooled funds - fixed income	159,867	129,372
Real estate funds	120,730	144,437
Short-term investment funds	43,071	44,560
Total investments	<u>1,769,743</u>	<u>1,599,896</u>
Securities lending capital	11,406	8,840
Total assets	<u>1,874,654</u>	<u>1,717,858</u>
<u>Liabilities</u>		
Accounts payable	1,109	1,051
Due to broker	3,018	6,163
Securities lending collateral	11,406	8,840
Total liabilities	<u>15,533</u>	<u>16,054</u>
Net position restricted for pension	<u>\$ 1,546,580</u>	<u>\$ 1,437,656</u>
Net position restricted for OPEB	<u>\$ 312,541</u>	<u>\$ 264,148</u>

See accompanying notes to the basic financial statements

**Exhibit A-6**  
**Pension and Other Post Employment Benefits Trust Funds**  
**Statements of Changes in Fiduciary Net Position**

*Year ended December 31, 2023*  
*(with comparative amounts for prior year)*

*(in thousands of dollars)*

	<u>2023</u>	<u>2022</u>
Additions:		
Contributions:		
Employer contributions	\$ 130,897	\$ 134,178
Employee contributions	21,665	21,177
Total contributions	<u>152,562</u>	<u>155,355</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	186,181	(307,545)
Interest and dividend income	31,775	27,558
Total investment income (loss)	<u>217,956</u>	<u>(279,987)</u>
Less investment expenses	<u>(4,652)</u>	<u>(4,510)</u>
Investment income (loss) net of expenses	<u>213,304</u>	<u>(284,497)</u>
Security lending activities:		
Security lending income	714	226
Borrower rebates	(587)	(128)
Bank fees	<u>(26)</u>	<u>(20)</u>
Net income from securities lending activities	<u>101</u>	<u>78</u>
Other	<u>2</u>	<u>7</u>
Total additions	<u>365,969</u>	<u>(129,057)</u>
Deductions:		
Annuities and benefits		
Employee annuitants	161,618	157,310
Retiree health care benefits	8,524	10,719
Surviving spouse annuitants	32,593	30,830
Child annuitants	111	112
Ordinary disability benefits	840	1,030
Duty disability benefits	85	62
Total annuities and benefits	<u>203,771</u>	<u>200,063</u>
Refunds of employee contributions	1,883	2,239
Administrative expenses	2,998	2,180
Total deductions	<u>208,652</u>	<u>204,482</u>
Net increase (decrease)	<u>157,317</u>	<u>(333,539)</u>
Net position restricted for pension and OPEB benefits		
Beginning of year	1,701,804	2,035,343
End of year	<u>\$ 1,859,121</u>	<u>\$ 1,701,804</u>

See accompanying notes to the basic financial statements

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### 1. Summary of Significant Accounting Policies

The significant accounting policies of the Metropolitan Water Reclamation District of Greater Chicago (District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units and are described below.

- a. **Financial Reporting Entity** - The District is a municipal corporation governed by an elected nine-member Board of Commissioners. As required by GAAP, these financial statements present the District (the primary government) and its component units, the Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund - Note 7) and the Metropolitan Water Reclamation District Retiree Health Care Trust Fund (OPEB Trust Fund - Note 8). The Board of Trustees for the Pension Trust Fund is composed of seven members. Two of these Trustees are Commissioners appointed by the Board of Commissioners of the District, four are District employees elected by members of the fund and one is a retired employee of the District. Although the Pension Trust Fund and OPEB Trust Fund are legally separate entities, for which the primary government is not financially accountable, they are included in the District's basic financial statements as fiduciary component units in accordance with GASB 84. Complete financial statements of the Pension Trust Fund can be obtained from their administrative office at 111 East Erie Street, Chicago, Illinois, 60611-2898 or on their website: [mwrdrf.org](http://mwrdrf.org). Complete financial statements of the OPEB Trust Fund can be obtained from the Treasurer of the Metropolitan Water Reclamation District at 100 East Erie Street, Chicago, Illinois 60611-2829 or on the District's website: [mwrdr.org](http://mwrdr.org).
- b. **Government-wide and Fund Financial Statements** - The District's basic financial statements include government-wide financial statements and fund financial statements.

The government-wide financial statements include the Statements of Net Position and the Statements of Activities, and contain information for all the District's governmental activities but exclude the Pension Trust Fund and the OPEB Trust Fund, fiduciary funds whose resources are not available to finance the District's operations. The effect of interfund transactions has been removed from the government-wide statements. The Statements of Net Position report the financial condition of the District. This statement includes all existing resources and obligations, both current and non-current, with the difference between the two reported as net position. The Statements of Activities report the District's operating results for the year with the difference between expenses and revenues representing the changes in net position. Expenses are reported by department while revenues are segregated by program revenues and general revenues. Program revenues contain charges for services including user charges, land rentals, fees, forfeitures, penalties and capital grants. General revenues include taxes, interest on investments, and all other revenues not classified as program revenues.

In government, the basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity, with a self-balancing set of accounts which record financial resources, together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations. Separate fund financial statements are included in the basic financial statements for the major governmental funds. The emphasis of the governmental fund financial statements is on major funds, with each major fund displayed as a separate column. The governmental fund financial statements include a budgetary statement for the General Corporate Fund and the Retirement Fund.

As a special purpose government with only one function, the District has elected to make a combined presentation of the governmental fund statements and the government-wide statements; therefore, the basic financial statements include combined Governmental Funds Balance Sheets/Statements of Net Position (Exhibit A-1) and combined Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities (Exhibit A-2). Individual line items of the governmental fund financials are reconciled to government-wide financials in a separate column on the combined presentations, with in-depth explanations offered in Note 2.

The District reports the following major governmental funds:

**General Corporate Fund**

The fund was established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a “Working Cash Fund.” Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the “Reserve Claim Fund,” established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, deferred inflows of resources and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2023 are as follows (in thousands of dollars):

	<b>Total General Corporate Fund</b>	<b>Corporate Division</b>	<b>Corporate Working Cash Division</b>	<b>Reserve Claim Division</b>
<b>Assets</b>				
Cash	\$ 10,139	\$ 5,502	\$ 3,116	\$ 1,521
Certificates of deposit	9,541	7,820	—	1,721
Investments	425,223	312,780	69,022	43,421
Prepaid insurance	7,635	7,635	—	—
Receivables:				
Property taxes receivable	311,000	303,238	—	7,762
Allowance for uncollectible taxes	(16,689)	(16,274)	—	(415)
Taxes receivable, net	294,311	286,964	—	7,347
Lease receivable	341,602	341,602	—	—
User charges	5,051	5,051	—	—
Miscellaneous	3,489	3,209	—	280
Due from Stormwater Management Fund	402	402	—	—
Restricted deposits	323	323	—	—
Inventories	37,240	37,240	—	—
Total assets	<u>\$ 1,134,956</u>	<u>\$ 1,008,528</u>	<u>\$ 72,138</u>	<u>\$ 54,290</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 44,256	\$ 43,957	\$ —	\$ 299
Unearned revenue	2,538	2,538	—	—
Due to corporate fund from corporate working cash	—	208,000	(208,000)	—
Total liabilities	46,794	254,495	(208,000)	299
Deferred inflows of resources:				
Unavailable tax revenue	260,934	254,420	—	6,514
Deferred inflows related to leases	337,129	337,129	—	—
Total deferred inflows of resources	598,063	591,549	—	6,514
Fund balances:				
Nonspendable:				
Prepaid insurance	7,635	7,635	—	—
Inventories	37,240	37,240	—	—
Restricted for:				
Deposits	323	323	—	—
Working cash	280,138	—	280,138	—
Reserve claims	47,477	—	—	47,477
Unassigned	117,286	117,286	—	—
Total fund balances	490,099	162,484	280,138	47,477
Total liabilities, deferred inflows and fund balances	<u>\$ 1,134,956</u>	<u>\$ 1,008,528</u>	<u>\$ 72,138</u>	<u>\$ 54,290</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2023

The revenues, expenditures, and changes in fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions for the year ended December 31, 2023, are as follows (in thousands of dollars):

	<b>Total General Corporate Fund</b>	<b>Corporate Division</b>	<b>Corporate Working Cash Division</b>	<b>Reserve Claim Division</b>
Revenues:				
Property taxes	\$ 327,428	\$ 319,321	\$ —	\$ 8,107
Personal property replacement tax	77,136	77,136	—	—
Total tax revenue	404,564	396,457	—	8,107
Interest on investments	17,847	12,480	3,302	2,065
Lease interest revenue	8,557	8,557	—	—
Tax increment financing distributions	12,273	12,273	—	—
Claims and damage settlements	84	84	—	—
Miscellaneous	1,842	1,839	—	3
User charges	41,890	41,890	—	—
Land rentals	9,479	9,479	—	—
Lease revenue	13,919	13,919	—	—
Fees, forfeits and penalties	3,255	3,255	—	—
Federal and state grants	118	118	—	—
Total revenues	513,828	500,351	3,302	10,175
Operations:				
Board of Commissioners	4,673	4,673	—	—
General Administration	19,651	19,651	—	—
Monitoring and Research	31,955	31,955	—	—
Procurement and Materials Management	6,246	6,246	—	—
Human Resources	57,539	57,539	—	—
Information Technology	19,677	19,677	—	—
Law	7,081	7,081	—	—
Finance	3,846	3,846	—	—
Engineering	23,545	23,545	—	—
Maintenance and Operations	234,606	234,606	—	—
Claims and judgments	3,111	—	—	3,111
Total expenditures	411,930	408,819	—	3,111
Revenues over (under) expenditures	101,898	91,532	3,302	7,064
Other financing sources/(uses):				
Transfer in/(out)	(30,000)	(30,000)	—	—
Net Change in Fund balance	71,898	61,532	3,302	7,064
Fund balance at the beginning of year	418,201	100,952	276,836	40,413
Fund balance at the end of year	<u>\$ 490,099</u>	<u>\$ 162,484</u>	<u>\$ 280,138</u>	<u>\$ 47,477</u>

### Debt Service Fund

A sinking fund established to account for annual property tax levies and certain other revenues, principally interest on investments, which are restricted to be used for the payment of interest and redemption of principal on bonded debt.

### Capital Improvements Bond Fund

A capital projects fund established to account for the proceeds of bonds authorized by the Illinois General Assembly, bond anticipation notes net of redemptions, government grants, and certain other revenues, which are all restricted to be used in connection with improvements, replacements, and additions to designated environmental improvement projects.

**Retirement Fund**

A special revenue fund established in accordance with statutory requirements to account for the annual property taxes and personal property replacement tax (PPRT), which are specifically levied to finance pension costs. These taxes are collected and paid to the Pension Trust Fund (see Note 7).

The District reports the following non-major governmental funds:

**Construction Fund**

A capital projects fund established to finance smaller construction projects on a pay-as-you-go basis. The Fund is primarily financed with an annual property tax levy and certain other revenues to be used to finance modernization and rehabilitation projects. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9(c) of the Illinois Compiled Statutes, which refers to these accounts as a “Construction Working Cash Fund.” Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, deferred inflows of resources and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2023, are as follows (in thousands of dollars):

	<b>Total Construction Fund</b>	<b>Construction Division</b>	<b>Construction Working Cash Division</b>
<b>Assets</b>			
Cash	\$ 6,125	\$ 857	\$ 5,268
Certificates of deposit	3,565	2,553	1,012
Investments	42,962	33,665	9,297
Receivables:			
Property taxes receivable	7,245	7,245	—
Allowance for uncollectible taxes	(388)	(388)	—
Taxes receivable, net	6,857	6,857	—
Miscellaneous	746	746	—
Total assets	<u>\$ 60,255</u>	<u>\$ 44,678</u>	<u>\$ 15,577</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 3,435	\$ 3,435	\$ —
Due to Construction Fund from Construction Working Cash	—	6,700	(6,700)
Total liabilities	<u>3,435</u>	<u>10,135</u>	<u>(6,700)</u>
Deferred inflows of resources:			
Unavailable tax revenue	6,079	6,079	—
Total deferred inflows of resources	<u>6,079</u>	<u>6,079</u>	<u>—</u>
Fund balances:			
Restricted for:			
Working cash	22,277	—	22,277
Construction	28,464	28,464	—
Total fund balances	<u>50,741</u>	<u>28,464</u>	<u>22,277</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 60,255</u>	<u>\$ 44,678</u>	<u>\$ 15,577</u>



## Notes to the Basic Financial Statements

Year ended December 31, 2023

The revenues, expenditures, and changes in fund balances of the Construction Fund, detailed as to the Construction and Working Cash account divisions for the year ended December 31, 2023, are as follows (in thousands of dollars):

	<b>Total Construction Fund</b>	<b>Construction Division</b>	<b>Construction Working Cash Division</b>
Revenues:			
Property taxes	\$ 7,566	\$ 7,566	\$ —
Personal property replacement tax	25,000	25,000	—
Total tax revenue	<u>32,566</u>	<u>32,566</u>	<u>—</u>
Interest on investments	2,261	1,726	535
Tax increment financing distributions	9,500	9,500	—
Miscellaneous	3	3	—
Total revenues	<u>44,330</u>	<u>43,795</u>	<u>535</u>
Construction Costs:			
Contractual services	988	988	—
Machinery and equipment	1,886	1,886	—
Capital projects	18,960	18,960	—
Total expenditures	<u>21,834</u>	<u>21,834</u>	<u>—</u>
Revenues over (under) expenditures	<u>22,496</u>	<u>21,961</u>	<u>535</u>
Net Change in Fund balance	<u>22,496</u>	<u>21,961</u>	<u>535</u>
Fund balance at the beginning of year	28,245	6,503	21,742
Fund balance at the end of year	<u>\$ 50,741</u>	<u>\$ 28,464</u>	<u>\$ 22,277</u>

**Stormwater Management Fund**

A capital projects fund established to account for the annual property taxes which are specifically levied to finance all activities associated with stormwater management, including construction projects. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Stormwater Management Fund. These accounts were established under Chapter 70, ILCS 2605/9(e) of the Illinois Compiled Statutes, which refers to these accounts as a “Stormwater Working Cash Fund.” Amounts borrowed in one year are generally repaid by the Stormwater Management Fund from tax collections received during the subsequent year.

The assets, liabilities, deferred inflows of resources and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2023, are as follows (in thousands of dollars):

	<b>Total Stormwater Management Fund</b>	<b>Stormwater Management Division</b>	<b>Stormwater Working Cash Division</b>
<b>Assets</b>			
Cash	\$ 5,611	\$ 3,793	\$ 1,818
Investments	72,431	68,227	4,204
Prepaid insurance	1,085	1,085	—
Receivables:			
Property taxes receivable	54,524	54,524	—
Allowance for uncollectible taxes	(3,017)	(3,017)	—
Taxes receivable, net	51,507	51,507	—
Other receivables	115	115	—
Total assets	<u>\$ 130,749</u>	<u>\$ 124,727</u>	<u>\$ 6,022</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 13,468	\$ 13,468	\$ —
Due to Stormwater Management Fund from Stormwater Working Cash	402	31,602	(31,200)
Total liabilities	<u>13,870</u>	<u>45,070</u>	<u>(31,200)</u>
Deferred inflows of resources:			
Unavailable tax revenue	45,674	45,674	—
Total deferred inflows of resources	<u>45,674</u>	<u>45,674</u>	<u>—</u>
Fund balances:			
Nonspendable:			
Prepaid insurance	1,085	1,085	—
Restricted for:			
Working Cash	37,222	—	37,222
Capital projects	32,898	32,898	—
Total fund balances	<u>71,205</u>	<u>33,983</u>	<u>37,222</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 130,749</u>	<u>\$ 124,727</u>	<u>\$ 6,022</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2023

The revenues, expenditures, and changes in fund balances of the Stormwater Management Fund, detailed as to the Stormwater Management and Working Cash account divisions for the year ended December 31, 2023, are as follows (in thousands of dollars):

	<b>Total Stormwater Management Fund</b>	<b>Stormwater Management Division</b>	<b>Stormwater Working Cash Division</b>
Revenues:			
Property taxes	\$ 61,980	\$ 61,980	\$ —
Total tax revenue	61,980	61,980	—
Interest on investments	3,545	3,186	359
Fees, forfeits, and penalties	799	799	—
Grant revenue	9,500	9,500	—
Claim and damage settlements	115	115	—
Miscellaneous	26	26	—
Total revenues	<u>75,965</u>	<u>75,606</u>	<u>359</u>
Construction Costs:			
Personal services	11,757	11,757	—
Contractual services	4,616	4,616	—
Material and supplies	229	229	—
Capital projects	38,901	38,901	—
Total expenditures	<u>55,503</u>	<u>55,503</u>	<u>—</u>
Revenues over (under) expenditures	<u>20,462</u>	<u>20,103</u>	<u>359</u>
Other financing (uses):			
Transfer in/(out)	<u>(9,531)</u>	<u>(9,531)</u>	<u>—</u>
Net Change in Fund balance	<u>10,931</u>	<u>10,572</u>	<u>359</u>
Fund balance at the beginning of year	60,274	23,411	36,863
Fund balance at end of year	<u>\$ 71,205</u>	<u>\$ 33,983</u>	<u>\$ 37,222</u>

In addition, the District reports the following fiduciary funds:

### Pension Trust Fund

A fiduciary fund established to account for employer/employee contributions, investment earnings, and expenses for employee pensions. The balance reflected as employer contributions receivable represents amounts due to the plan pursuant to legal requirements.

### OPEB Trust Fund

A fund established (pursuant to 70 ILCS 2605/9.6(d)) to administer the defined benefit, post-employment health care plan. The intention of the District is that the Fund satisfies the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Trust's income from gross income under Section 115 has been received from the IRS.

**c. Basis of Accounting and Measurement Focus**

**Government-wide and Fiduciary Fund Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the period of related cash flows. Property taxes are recognized in the year of levy and personal property replacement taxes are recognized in the year earned. Grants and similar items are recognized as revenue in the fiscal year that all eligibility requirements have been met.

**Governmental Fund Financial Statements**

The District's governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available to finance operations. Expenditures are recognized in the period in which the fund liability is incurred except for principal and interest on long-term debt, compensated absences, claims, judgments, and arbitrage, which are recognized when due and payable.

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. Since governmental funds are accounted for on the current financial resources measurement focus, only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property taxes, user charge revenue, interest, land rentals, and personal property replacement tax revenue are accrued to the extent that they are measurable and available to satisfy liabilities of the reporting period. In general, the revenue recognition period is limited to amounts collected during the period or within sixty days following year-end. Receivables that are unavailable are reported as deferred revenue.

Grants from Federal and State agencies are recorded as revenues in the fund financial statements when reimbursable expenditures are incurred, or other eligibility requirements imposed by the provider are met, and the grant resources are measurable and available.

Property taxes attach as an enforceable lien on property as of January 1 of the levy year. They are levied and recorded as a receivable as of January 1 and are due in two installments in the following year. The annual ordinance for the levy of taxes contains a reserve for loss in collection of taxes. The District reviews the reserve annually.

**d. Budgeting (Appropriations)** - The District's fiscal year begins January 1 and ends on December 31. The District's procedure for adopting the annual budget consists of the following stages:

- (1) After the first half of the fiscal year, the Budget Office holds a meeting with departmental budget representatives to discuss policy and procedures for budget preparation that begins in July. Instructions are distributed to departments, together with guidelines from the Executive Director, which indicate the direction the Budget should follow for the coming fiscal year. The basic forms are returned to the Budget Office and a general summary is prepared for the Executive Director, who conducts departmental hearings in August.

## Notes to the Basic Financial Statements

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*Year ended December 31, 2023*

- (2) A revenue meeting is conducted by the Executive Director, Administrative Services Officer, and Budget Officer, along with those departments responsible for revenue items. Available resources used to finance the Budget are analyzed at this meeting.
- (3) When departmental estimates are approved and final decisions are made, a Budget Message is prepared and the proposals of the Executive Director become the initial budget document. After departmental requests are finalized, the Executive Director's Budget Recommendations are published within 15 days. The Executive Director's Budget Recommendations are published and presented to the Board in October. At all times, the Budget figures are balanced between revenues and expenditures.
- (4) The Board holds a study session on the Capital Improvement Program in October as needed.
- (5) The Board's Committee on Budget and Employment holds public meetings with the Executive Director and department heads regarding the Executive Director's proposals.
- (6) At the conclusion of these hearings, the Committee on Budget and Employment recommends the preparation of a second document, a supplement to the Executive Director's Budget Recommendations called the "Tentative Budget," which incorporates changes approved at the hearings. Once printed, this is placed on public display, along with the Executive Director's Budget Recommendations, for a minimum of 10 days. An advertisement is published in a general circulation newspaper announcing the availability of the Tentative Budget for inspection at the main office of the District, and specifying the time and date of the public hearing.
- (7) At least one public hearing is held between 10 and 20 days after the Budget has been made available for public inspection. All interested individuals and groups are invited to participate.
- (8) After the public hearing, the Committee on Budget and Employment presents the Tentative Budget, which includes revisions and the approved Appropriation and Tax Levy Ordinances, to the Board for adoption. This action must take place before January 1.
- (9) The Budget, as adopted by the Board, can be amended once at the next Regular Meeting of the Board. No amendment, however, can be requested before a minimum of 5 days after the Budget has been adopted. Amendments for contracts and/or services not received before December 31 must be re-appropriated in the new Budget and are included through this amendment process.
- (10) The final budget document "As Adopted and Amended" is produced, and an abbreviated version, known as the "short form" is published in a newspaper of general circulation before January 20 of the fiscal year.
- (11) Budget implementation begins on January 1. The Finance Department and Budget Office provide control of appropriations and ensure that all expenditures are made in accordance with budget specifications. The manual entitled "Budget Code Book" is published in conformance with the Adopted Budget and is used to administer, control, and account for the Budget.
- (12) Supplemental appropriations can be made for the appropriation of revenues from federal or state grants, loans, bond issues, and emergencies. The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. After March 1 of each fiscal year, transfers of appropriations between objects of expenditures or between departments must be presented for approval to the Board in accordance with applicable statutes.

(13) The Board can authorize, by a two-thirds majority, the transfer of accumulated investment income between funds and the transfer of assets among the Working Cash Funds.

- e. **Investments** of the Governmental Funds are reported at fair value plus accrued interest. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the statement of revenues, expenses and changes in fund balances. Certificates of Deposit are stated at cost plus accrued interest.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term that could materially affect the amounts reported in the statement of net position and in the statement of revenues, expenses and changes in fund balances.

The investment with the State Treasurer's Illinois Funds is measured at the net asset value per share provided by the pool. The Illinois Funds are not registered with the SEC. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). Oversight is provided by the State Treasurer. Investments of the Pension and OPEB Trust Funds, other than short-term investments, are also stated at fair value.

- f. **Inventory**, consisting mainly of materials, supplies, and repair parts which maintain and extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-wide Statements of Net Position. The District maintains a perpetual record-keeping system and uses a moving-average method, based on cost, for pricing its storeroom inventories. Materials, supplies, and repair parts are recorded as expenditures/expenses when consumed.
- g. **Prepaid Assets** represent services the District has paid for but has not received the full benefit. Prepaids are recorded as expenditures/expenses when consumed.

Inventory balances and prepaid insurance at year-end are reported as nonspendable fund balance in the governmental funds.

- h. **Restricted Deposits** represent cash and investments set aside pursuant to real estate escrow and intergovernmental agreements.
- i. **Interfund Transactions** represent governmental fund transactions for the following: a) loans between funds reported as due to/due from other funds; b) reimbursements between funds reported in the fund financials as expenditures in the reimbursing fund and a corresponding reduction in expenditures in the reimbursed fund; and c) transfers between funds. All interfund transactions are eliminated in the government-wide financial statements. See Note 12 for further disclosure of interfund transactions.
- j. **Capital Assets** including land (and land improvements), buildings, equipment, computer software, infrastructure, acquired easements, and construction in progress are recorded at historical cost or estimated historical cost in the government-wide financial statements. Interest costs are not capitalized. Infrastructure assets include the District's sewers, water reclamation plants (WRP), waterway assets, TARP deep tunnels, and drop shafts. The thresholds for reporting capital assets are as follows:

Land and buildings	\$100,000 and over
Infrastructure	\$500,000 and over

## Notes to the Basic Financial Statements

Year ended December 31, 2023

Equipment	\$20,000 and over
Computer software	\$100,000 and over
Easements	\$20,000 and over

Depreciation and amortization of capital assets is provided on the straight-line method (using a ten percent salvage value for equipment) over the following estimated useful lives:

Buildings and land improvements	80 years
Infrastructure (TARP deep tunnels and drop shafts only)	200 years
Right to use asset (biosolids processing facility)	25 years
Equipment	6-50 years
Computer software	5 years
Easements	5 years

The District is using the modified approach as an alternative to depreciation to report its eligible infrastructure assets, with the exception of the TARP deep tunnels and drop shafts, which are depreciated. The modified infrastructure assets are categorized into networks, systems, and subsystems. Each of the District's seven WRPs represents a separate network and the waterway assets are an eighth network. The systems within the networks are categorized by the process flow through the network (i.e., collection system, treatment processes system, solids processing system, flood & pollution control system, or drying solids/utilization system). The subsystems represent the major processes of each system (e.g., fine screens and grit chambers are subsystems of the treatment processes system). Condition assessments at each network are performed at the subsystem level and these assessments are compiled into a single assessment for each system. The rating scales used in the condition assessments are explained in the Required Supplementary Information immediately following the notes. Infrastructure assets reported under the modified approach are not depreciated, since the District manages these assets using an asset management system, and documents that the assets are being preserved at a level of acceptable or better, as evidenced by a condition assessment.

In compliance with Governmental Accounting Standards Board (GASB) Statement 34, existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRPs infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney), Hanover, O'Brien, Egan, Calumet, Lemont WRPs, and Waterways had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2023. The Egan and O'Brien networks each had its most recent condition assessment completed in 2022. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2021. (See further discussion of the modified approach in the Required Supplementary Information Section).

Modified infrastructure assets under construction are reported in the government-wide financial statements as construction in progress and are reclassified to infrastructure assets when construction is substantially complete.

- k. **Compensated Absences** for accumulated unpaid vacation, holiday, overtime, severance and sick leave are paid to employees upon retirement or termination. An employee is eligible to receive 100% of earned vacation, holiday and overtime pay. Depending upon the date of hire and/or collective bargaining agreements, employees may also be eligible to receive severance pay and 50% of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they are earned in the government-wide

financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable.

- l. Deferred Outflows/Inflows of Resources** - Deferred inflow of resources represent an acquisition of net assets that applies to future periods. Deferred outflow of resources represent a consumption of net assets that applies to future periods.
- m. Unearned Revenue** - Unearned revenue arises when resources are received by the District before it has legal claim to them. In subsequent periods, when revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.
- n. Leases** - A lease is defined as a contract that conveys control of the right to use another entity's non-financial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The District recognizes a lease receivable and deferred inflow of resources for these leases over the threshold of \$100,000. Any lease under the threshold is excluded from amortization.
- o. Long-Term Obligations** - Long-term debt and other long-term obligations are reported in the government-wide Statements of Net Position. Bond premiums are reported with bonds payable and amortized over the life of the bonds, using a method which approximates the effective interest method, in the government-wide financial statements. In addition, the refunding transaction cost, representing the excess of the amount required to refund debt over the book value of the old debt, is reported as a deferred outflow of resources and amortized over the shorter of the life of the old debt or new debt in the government-wide financial statements.

The face amounts of the debt and bond premiums are recognized as other financing sources during the issuance period in the fund financial statements, while bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are recognized as debt service expenditures in the fund financial statements.

- p. Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Pension Trust Fund and additions to/deductions from the Pension Trust Fund's fiduciary net position have been determined on the same basis as they are reported by the Pension Trust Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- q. Postemployment Benefits Other Than Pensions (OPEB)** - For purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's Retiree Health Care Plan (Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.
- r. Fund Balances** - The Board of Commissioners, on December 9, 2010, adopted a new fund balance classification policy in accordance with GASB Statement No. 54, Fund Balance Reporting and



## Notes to the Basic Financial Statements

Year ended December 31, 2023

Governmental Fund Type Definitions. The policy categorizes the balances of governmental funds into the following categories: nonspendable, restricted, committed, assigned and unassigned fund balances.

- Nonspendable Fund Balance – This consists of amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- Restricted Fund Balance – Reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a board motion. The District’s commissioners shall establish, modify, or rescind a fund balance commitment by vote of a motion presented to the Board.
- Assigned Fund Balances – This consists of amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The District’s Board of Commissioners approved a motion authorizing the Executive Director to assign amounts of fund balances to a specific purpose. The District has an assigned fund balance of \$166,734,000 in the Capital Improvement Bond Fund, for future capital projects.
- Unassigned Fund Balances – This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which restricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized. In governmental funds other than the General Corporate Fund, the District considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which restricted fund balance is available, the District will first utilize assigned amounts, followed by committed amounts, and then restricted amounts.

Fund balances for the year ended December 31, 2023, are as follows (in thousands of dollars):

	<b>General Corporate Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvements Bond Fund</b>	<b>Other Governmental / Nonmajor Funds</b>	<b>Total Governmental Funds</b>
Fund balances:					
Nonspendable					
Prepaid insurance	\$ 7,635	\$ —	\$ —	\$ 1,085	\$ 8,720
Inventories	37,240	—	—	—	37,240
Restricted for					
Deposits	323	—	—	—	323
Working cash	280,138	—	—	59,499	339,637
Reserve claims	47,477	—	—	—	47,477
Debt service	—	131,505	—	—	131,505
Capital projects	—	—	93,134	61,362	154,496
Assigned	—	—	166,734	—	166,734
Unassigned	117,286	—	—	—	117,286
Total fund balances	<u>\$ 490,099</u>	<u>\$ 131,505</u>	<u>\$ 259,868</u>	<u>\$ 121,946</u>	<u>\$ 1,003,418</u>

- s. **Net Position** – The government-wide Statements of Net Position display three components of net position, as follows:
- Net investment in capital assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any debt attributable to capital assets (net of unspent bond proceeds).
  - Restricted Net Position - This consists of net position that is legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net position restricted for working cash and reserve claims is based on legal restrictions, while net position restricted for debt service and capital projects is based on legal restrictions and/or outside parties. The government-wide statement of net position reports \$824,156,000 of restricted net position.
  - Unrestricted Net Position - This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”
- t. **Comparative Data** – The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations, but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America.
- u. **Use of Estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.
- v. **Availability Payment Arrangements** – The District entered into an agreement to design, build, own, finance, operate and maintain a 150 dry tons/day biosolids processing facility at the Stickney water reclamation place for a period of twenty years. Each component of the arrangement has been reflected in the financial statements as a right to use asset and an availability purchase arrangement.
- w. **New Accounting Pronouncements** – The District implemented GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The purpose of this statement is to establish financial reporting and accounting for public-private and public-public arrangements (PPPs) and availability payments arrangements (APAs). A PPP is an arrangement in which a government contracts an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. For the year ended December 31, 2023, the District identified one APA project subject to GASB 94. The District entered into an agreement with a nongovernmental entity to construct and operate a biosolids processing facility for a monthly consideration of \$366,000 ending in June 2029.

The Governmental Accounting Standards Board (GASB) has approved the following statements which will apply to and be implemented by the District:

- Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB 62
- Statement No. 101, Compensated Absences
- Statement No. 102, Certain Risk Disclosures

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### 2. Reconciliation of Fund and Government-wide Financial Statements

- a. **Reconciliation of Total Fund Balances to Total Net Position** - The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Position at December 31, 2023 (in thousands of dollars):

Total fund balances of governmental funds	<u>\$ 1,003,418</u>
<i>Amounts reported for governmental activities in the Statements of Net Position are different because:</i>	
Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Position. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	8,169,775
Accumulated depreciation/amortization	<u>(382,210)</u>
Capital assets, net	<u>7,787,565</u>
Long-term liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Position. The long-term liabilities consist of:	
Compensated absences	(16,416)
Claims and judgments	(18,946)
Availability payment arrangement	(20,966)
Bond anticipation notes	(42,786)
General obligation debt	(2,517,556)
Net OPEB liability	(88,280)
Net Pension liability	(1,361,643)
Due to Pension Trust Fund	<u>(114,593)</u>
Total long-term liabilities	<u>(4,181,186)</u>
Bond refunding transactions are recorded as deferred outflows of resources in the governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. Bond premiums are amortized over the life of the bonds for the Statements of Net Position. They consist of:	
Bond premium	<u>(164,316)</u>
Total bond premium and refunding transactions	<u>(164,316)</u>
Interest on debt is not accrued in governmental funds, but rather is recognized as a liability and an expenditure when due. Interest is recorded as a liability as it is incurred in the Statements of Net Position. The 2023 amount is:	
Accrued interest	<u>(14,532)</u>
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred inflow of resources in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:	
Deferred property taxes and personal property replacement tax	580,634
Grants and rents	953
Deferred inflows for pension and OPEB related amounts	<u>(27,201)</u>
Adjustment to deferred inflows of resources	<u>554,386</u>
Deferred outflows of resources represent items related to pension and OPEB, which will be recognized as a pension expense in future reporting periods. Deferred outflows consist of employer contributions and "other" which includes differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings on pension plan investments. However, these items are reported in the Statement of Net Position. They consist of:	
Deferred outflows for employer contributions subsequent to measurement date	130,897
Deferred outflows for other pension and OPEB related amounts	<u>274,463</u>
Adjustment to deferred outflows of resources	<u>405,360</u>
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	402
Due to other funds	<u>(402)</u>
Total interfund	<u>—</u>
Total net position of governmental activities	<u><u>\$ 5,390,695</u></u>

**b. Reconciliation of the Change in Fund Balances to the Change in Net Position** - The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2023 (in thousands of dollars):

Net change in fund balances of governmental funds	<u>\$ 109,895</u>
<i>Amounts reported for governmental activities in the Statements of Activities are different because:</i>	
Construction costs for capital outlays are reported as expenditures in governmental funds. However, in the Statements of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense except for those assets under the modified approach. In the current period, these amounts are:	
Construction costs and other capital outlays	60,527
Infrastructure retirements	(113,991)
Depreciation expense-allocated to various departments	(2,601)
Depreciation/amortization expense-unallocated	<u>(11,440)</u>
Excess of depreciation expense and loss on disposal of infrastructure assets over construction and capital outlay costs	<u>(67,505)</u>
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:	
Bond anticipation notes proceeds	<u>(37,921)</u>
Debt proceeds total	<u>(37,921)</u>
Repayment of long-term debt is reported as an expenditure in the governmental funds, or as an other financing use in the case of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Position. In the current year, the repayments consist of:	
Debt service principal retirement	<u>137,498</u>
Debt service principal retirement total	<u>137,498</u>
Some expenses reported in the Statements of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Change in compensated absences-allocated to various departments	789
Change in claims and judgments	2,108
Change in bond interest	874
Change in bond anticipation notes interest	(300)
Amortization of bond premium	15,157
Change in net pension liability	(97,493)
Change in net OPEB liability	5,341
Total additional expenses	<u>(73,524)</u>
The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Position and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities. The net effect of miscellaneous transactions involving capital asset sales:	
Total land and equipment sales	<u>(182)</u>
Unavailable tax revenues and certain other revenues that are earned but "unavailable" for the current period are not recognized in governmental funds. These revenues consist of:	
Property tax - net	<u>(56,023)</u>
Total adjustments	<u>(56,023)</u>
Change in net position of governmental activities	<u><u>\$ 12,238</u></u>

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### 3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

The District prepares its budget in conformity with practices prescribed or permitted by the applicable statutes of the State of Illinois, which differ from GAAP. To reconcile the General Corporate Fund budgetary cash basis financials to the GAAP fund basis financials, the following schedule was prepared (in thousands of dollars):

	<u>General Corporate Fund</u>
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	\$ 52,587
Adjustment from Budget to GAAP for:	
Tax revenues	40,238
Cash basis other revenues	7,396
GAAP versus budgetary expenditures and other uses differences	<u>(28,323)</u>
Revenues and other sources (uses) over (under) expenditures on GAAP basis	<u>\$ 71,898</u>

### 4. Deposits and Investments

#### Deposits

As of December 31, 2023, the District, the Pension Trust Fund and OPEB Trust Fund deposits were fully insured and collateralized.

The District also has deposits held with the District's workman's compensation third party provider in the amount of \$280,000, all others (if any) represent cash with the escrow agent for the subsequent payment of interest on debt.

#### Investments (excluding Trust Funds)

The investments which the District may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations defined by any agency created by act of U.S. Congress; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois funds; (8) the Illinois Trust Local Government Investment Pool (LGIP) program; (9) money market mutual funds and certain other instruments; and (10) municipal bonds of the State of Illinois, or of any other state, or of any political subdivisions thereof, whether interest is taxable or tax-exempt under federal law, rated within the four highest classifications by a major rating service. District policies require that repurchase agreements be collateralized only with direct U.S. Treasury securities that are maintained at a value of at least 102% of the investment amount (at market).

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District’s investments at December 31, 2023 (in thousands of dollars):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities</b>	
		<b>Less Than 1 Year</b>	<b>1- 5 Years</b>
U.S. Agencies	\$ 275,936	\$ 129,556	\$ 146,380
Municipal Bonds	136,638	63,297	73,341
Commercial Paper	94,456	94,456	—
Illinois Trust Investment Pool	356,709	356,709	—
U.S. Treasury Bills	29,862	29,862	—
Total Investments	<u>\$ 893,601</u>	<u>\$ 673,880</u>	<u>\$ 219,721</u>

The Illinois Funds invests a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity. The Illinois Trust Local Government Investment Pool program includes authorized investments maintaining a dollar-weighted average maturity of no more than 60 days and a dollar-weighted average life (final maturity, adjusted for demand features but not interest rate adjustments) of no more than 120 days. The above fair value amount excludes accrued interest receivable of \$2,743,000.

**Interest Rate Risk**

The District’s investment policy protects against fair value losses resulting from rising interest rates by structuring its investments so that sufficient securities mature to meet cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity, except when such a sale is required by state statute. In addition, the District’s policy limits direct investments to securities maturing in five (5) years or less. Written notification is required to be made to the Board of Commissioners of the intent to invest in securities maturing more than five (5) years from the date of purchase.

**Credit Risk**

The District’s investment policy applies the “prudent person” standard in managing its investment portfolio. As such, investments are made with such judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The District’s investment policy limits investments in commercial paper to the highest rating classifications, as established by at least two of the four major rating services, and which mature not later than 270 days from the purchase date. Such purchases may not exceed 10% of the issuer corporation’s outstanding obligations.

## Notes to the Basic Financial Statements

Year ended December 31, 2023

Credit ratings for the District's investments in debt securities as described by Standard & Poor's, Moody's and Fitch at December 31, 2023 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	Credit Ratings at 12/31/2023 S&P/Moody's/Fitch/KBRA	% of Total in Securities
U.S. Agencies		
Federal Home Loan Banks (FHLB)	AA+/Aaa/NR	24.4 %
Federal Home Loan Mortgage Corporation (FMCC)	AA+/Aaa/AA+	2.6
Federal Farm Credit Banks Funding Corporation (FFCB)	AA+/Aaa/AA+	2.2
Federal National Mortgage Association (FNMA)	AA+/Aaa/AA+	1.7
U.S. Treasury Bills	AA+/Aaa/AAA	3.3
Illinois Trust Investment Pool	AAAm/NR/NR	39.9
State Treasurer's Illinois Funds	AAAm/NR/NR	0.0
Commercial Paper	A-1/P-1/F1	10.6
Municipal Bonds	AAA to A-/Aaa to A3/AAA to A-/AAA to AA	15.3
		100.0 %

NR - Not Rated

### Concentration of Credit Risk

The District's goal is to limit the amount that can be invested in commercial paper to one-third of the District's total investments, and no more than 20% of the amount invested in commercial paper can be invested in any one entity. As of December 31, 2023 the fair value of commercial paper represented 10.3% of the District's total investments, including certificates of deposit.

As of December 31, 2023, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Illinois Trust Investment Pool	\$ 356,709
Federal Home Loan Bank (FHLB)	217,567
	\$ 574,276

There are no investments that represent 5% or more of the Pension Trust Fund's net position restricted for pension benefits identified.

There are no individual investments held by the OPEB Trust that represent 5% or more of the Trust's fiduciary net position or the investment portfolio at year-end.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of December 31, 2023 and 2022, the Pension Trust Fund had minimal exposure to custodial credit risk since all investments were insured, registered, and/or held in the Fund's name.

The OPEB Trust's Investment Policy requires that all investments and investment collateral be held in safekeeping by a third party custodial institution, as designated by the Treasurer, in the Trust's name. All cash balances maintained at banks are required to be collateralized with permitted U.S. Government Securities in an

amount equal to 105% (at market) of the monies on deposit. Cash awaiting reinvestment in the Trust's investment account is protected up to \$250,000 under coverage by the Securities Investor Protection Corporation (SIPC). As of December 31, 2023, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

**Trust Fund Investments**

The Illinois Statutes prescribe the "prudent person rule" as the Fund's investment authority, effective August 31, 2007. This rule requires the Fund to make investments with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of like character with like aims. Within the "prudent person" framework, the Board of Trustees adopts investment guidelines for the Fund's investment managers which are included within their respective Investment Management Agreements. The Fund's adopted asset allocation policy is 38% domestic equities, 17% international equities, 5% global equities, 25% fixed income, 10% core open-end real estate and 5% private equity.

The OPEB Trust Fund is authorized under State Statute 70 ILCS 2605/9.6(d). In accordance with the Statute, the Trust Fund shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust adopted its investment policy on November 19, 2009, which was most recently revised on November 15, 2018. Investments shall be limited to publicly traded securities and mutual funds, adequately diversified among various market segments and sectors as well as other developed countries and emerging markets.

At December 31, 2023, the OPEB Trust's assets were invested in mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. One strategy to manage exposure to interest rate risk is to purchase a combination of short-term and long-term investments, while considering cash flow needs of the Pension Trust Fund. The Fund does not maintain an investment policy relative to interest rate risk. However, the Board of Trustees recognizes that its investments are subject to short-term volatility and their goal is to maximize total return within prudent risk parameters.



## Notes to the Basic Financial Statements

Year ended December 31, 2023

The following table presents a summarization of the Pension Trust Fund's debt investments as of December 31, 2023 (in thousands of dollars), using the segmented time distribution method:

Type of Investment	Maturity	Fair Value	Percentage
U.S. Government and government agency obligations	<1 year	\$ —	— %
	1-5 years	10,511	8.7
	5-10 years	22,340	18.4
	Over 10 years	88,253	72.9
		<u>\$ 121,104</u>	<u>100.0 %</u>
Corporate and foreign government obligations	<1 year	816	0.8
	1-5 years	22,824	22.7
	5-10 years	29,778	29.5
	Over 10 years	47,397	47.0
		<u>\$ 100,815</u>	<u>100.0 %</u>
Pooled funds - fixed income	5-10 years	<u>\$ 159,867</u>	<u>100.0 %</u>
Short-term investment fund	<1 year	<u>\$ 34,423</u>	<u>100.0 %</u>

The OPEB Trust's benefit liabilities extend many years into the future, and the Trust's policy is to maintain a long-term focus on its investment decision-making process. Fixed income investments susceptible to interest rate risk are monitored to prevent such investments from exceeding established allocation targets.

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities for the OPEB Trust Fund's investments at December 31, 2023 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Funds:			
Dodge & Cox Income Fund	\$ 43,201	43.0%	10.8
Payden Core Bond Fund	14,259	14.2%	9.0
Western Asset Core Plus Bond Fund	42,977	42.8%	13.5
Total Fixed Income Funds	<u>100,437</u>	100	
Domestic Equity Funds:			
Ariel Fund Class I	13,430		
Fidelity 500 Index Fund	57,675		
Fidelity Contrafund	26,398		
Fidelity Mid Cap Index Fund	22,688		
Vanguard Small Cap Index Institutional	22,784		
Total Domestic Equity Funds	<u>142,975</u>		
International Equity Funds:			
Fidelity International Index Fund	45,373		
Vanguard Global Minimum Volatility	14,959		
Total International Equity Funds	<u>60,332</u>		
Money Market Funds	8,648		
Total Fair Value	<u>\$ 312,392</u>		

**Credit Risk**

Credit risk is defined as the risk that the issuer of a debt security will not pay its par value upon maturity. The Illinois Statutes prescribe the “prudent person rule” as the Pension Trust Fund’s investment authority and within the “prudent person” framework, the Board of Trustees adopts investment guidelines that consider credit risk for the Fund’s investment managers which are included within their respective investment Management Agreements.

The following table presents a summarization of the credit quality ratings of the holdings within the Pension Trust investments at December 31, 2023 (in thousands of dollars):

**Disclosure Ratings for Debt Securities  
(As a percentage of total fair value for debt securities)**

<u>Credit Rating</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>%</u>
AA	U.S. Government and Government Agency	\$ 121,104	100.0 %
AAA	Corporate and Foreign Government	7,071	7.0
AA	Corporate and Foreign Government	17,199	17.1
A	Corporate and Foreign Government	22,829	22.6
BBB	Corporate and Foreign Government	30,455	30.2
BB	Corporate and Foreign Government	4,528	4.5
B	Corporate and Foreign Government	2,313	2.3
CCC	Corporate and Foreign Government	537	0.5
Not Rated	Corporate and Foreign Government	15,883	15.8
		<u>\$ 100,815</u>	<u>100.0 %</u>
AA	Pooled Funds - Fixed Income	\$ 159,867	100.0 %
Not Rated	Short-Term Investment Fund	\$ 34,423	100.0 %
		<u>\$ 416,209</u>	<u>100.0 %</u>

Quality ratings are as provided by Standard & Poor’s. For the pooled funds - fixed income investments an average credit quality rating is provided by Bank of America Merrill Lynch and Bloomberg Barclays.

The OPEB Trust’s Investment Policy requires a minimum of 75% of the fixed income holdings of an actively managed fixed income mutual fund be of investment grade quality or higher at purchase; rated no lower than “Baa” by Moody’s and no lower than “BBB” by Standard and Poor’s. The Trustee, at its discretion, may impose a higher standard on an individual investment’s circumstances or as investment objectives dictate. Fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by state, local and foreign governments, or any agency or instrumentality thereof, mortgage-backed and asset-backed securities, corporate bonds, foreign securities (including but not limited to, corporate issues, sovereign issues, non U.S. dollar denominated securities, Eurobonds, and emerging market debt securities) and municipal issues.

## Notes to the Basic Financial Statements

Year ended December 31, 2023

The following are the percentages of fixed income investment portfolio securities within each credit-quality rating as of December 31, 2023:

<b>Credit Rating</b>	<b>Dodge &amp; Cox Income Fund</b>	<b>Payden Core Bond Fund</b>	<b>Western Asset Core Plus Bond Fund</b>
AAA	55.0 %	26.0 %	53.6 %
AA	5.9	40.0	4.8
A	7.5	11.0	13.5
BBB	24.4	19.0	19.4
BB	3.7	—	4.6
B	3.5	—	3.2
Below B	—	—	0.9
Not Rated	—	4.0	—
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Morningstar Inc. provided the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

The Trust's investment in a money market fund was not individually rated by a nationally recognized statistical rating organization.

**Foreign Currency Risk**

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency denominated investments held by the Pension Trust Fund are in equities, fixed income and foreign cash. The Fund's exposure to foreign currency risk at December 31, 2023 was as follows (in thousands of dollars):

<u>Equities</u>	<u>Fair Value</u>	<u>%</u>
Australian dollar	\$ 2,613	0.6 %
Brazilian real	1,068	0.2
British pound sterling	24,699	5.7
Canadian dollar	12,875	3.0
Danish krone	366	0.1
European euro	43,578	10.0
Hong Kong dollar	4,780	1.1
Indonesian rupiah	1,160	0.3
Israeli shekel	471	0.1
Japanese yen	30,696	7.1
Malaysian ringgit	1,562	0.3
Mexican peso	2,893	0.7
New Taiwan dollar	5,130	1.2
New Zealand dollar	20	0.1
Norwegian krone	4,337	1.0
Philippine peso	1,186	0.3
Polish zloty	1,824	0.4
Singapore dollar	5,362	1.2
South Korean won	4,121	0.9
Swedish krona	4,396	1.0
Swiss franc	7,474	1.7
Thailand baht	850	0.2
U.S. dollar	272,370	62.8
Total	<u>\$ 433,831</u>	<u>100.0 %</u>

<u>Short-Term Investment Funds</u>	<u>Fair Value</u>	<u>%</u>
Australian dollar	\$ 126	0.4 %
Brazilian real	34	0.1
British pound sterling	109	0.3
Canadian dollar	24	0.1
Danish krone	190	0.6
European euro	178	0.5
Hong Kong dollar	70	0.2
Israeli shekel	22	0.1
Japanese yen	518	1.5
New Zealand dollar	167	0.5
Norwegian krone	248	0.7
Philippine peso	2	0.0
Singapore dollar	73	0.2
Swedish krona	254	0.7
Swiss franc	10	0.1
U.S. dollar	32,398	94.0
Total	<u>\$ 34,423</u>	<u>100.0 %</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2023

The OPEB Trust Fund's policy is to disclose any investment denomination in a foreign currency. Exposure to foreign currency risk is limited to the international investment allocation target maximum of 25% of the fair value of the investment portfolio.

As of December 31, 2023, the OPEB Trust's investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

<u>Fund Name</u>	<u>Fair Value</u>
Fidelity International Index Fund	\$ 45,373
Vanguard Global Minimum Volatility	14,959
	<u>\$ 60,332</u>

### When-Issued Transactions

The Fund may purchase securities on a when-issued basis, that is, obligate itself to purchase securities with delivery and payment to occur at a later date. At the time the Fund enters into a commitment to purchase the security, the transaction is recorded at the purchase price which equals fair value. The value at delivery may be more or less than the purchase price. No interest accrues to the Pension Trust Fund until delivery and payment takes place. As of December 31, 2023, the Fund contracted to acquire securities on a when-issued basis with a total principal amount of approximately \$2,845,000.

### Securities Lending

State Statutes and the investment policy permit the Pension Trust Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's custodian, requires collateral in the form of cash, U.S. Government obligations and irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and for international securities, collateral worth at least 105%. The contract with the Fund's custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan.

The relationship between the maturities of the investment pool and the Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Fund cannot pledge or sell collateral securities without borrower default; as such, the collateral security or non-cash collateral is not reported in the financial statements. The average term of securities loaned was 100 days for 2023; however, all securities loans can be terminated on demand by either the Fund or the borrower. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 2 days.

Although the Pension Trust Fund's securities lending activities are collateralized as described above, they involve both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower. The contract with the lending agent requires it to indemnify the Fund if borrowers fail to return the securities or fail to pay the Fund for income distributions by the issuers of securities while the securities are on loan.

During 2023, there were no losses due to default of a borrower of the lending agent.

A summary of securities loaned at fair value as of December 31, 2023 is as follows (in thousands of dollars):

<b>Securities loaned - backed by cash collateral</b>	
Equities	\$ 7,126
U.S. Government and government agency obligations	1,440
Corporate obligations	2,505
Total securities loaned - backed by cash collateral	11,071
 <b>Securities loaned - backed by non-cash collateral</b>	
Equities	8,192
Corporate obligations	148
Total securities loaned - backed by non-cash collateral	8,340
Total	\$ 19,411

As of December 31, 2023, the fair value (carrying amount) of loaned securities was \$19,411,000. As of December 31, 2023, the fair value (carrying amount) of cash collateral received by the Fund was \$11,406,000. The cash collateral is included as an asset and a corresponding liability on the accompanying statement of fiduciary net position. As of December 31, 2023, the fair value (carrying amount) of noncash collateral received by the Fund was \$8,740,000.

The fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) with regards to their pooled funds. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the SSGA fixed income pooled fund.

**Fair Market Value Measurements**

GASB Statement No. 72, Fair Value Measurement and Application, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Investment valuations are as of December 31, 2023. The values of the District's investments may have changed significantly after year end as the result of investment markets.

The District and its fiduciary funds categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets. Includes common stock, mutual and commingled equity funds, and U.S. Government and government agency obligations and Non-U.S. Government obligations that are traded in active markets and are valued at closing prices on the measurement date.
- Level 2** Quoted prices for similar assets or liabilities in active markets, inactive markets, or using other significant inputs which are observable either directly or indirectly. Includes U.S. Government and government agency obligations, non-U.S. Government obligations, mortgage-backed securities, asset backed securities, and corporate bonds and notes that are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rates

## Notes to the Basic Financial Statements

Year ended December 31, 2023

and yield curves at commonly quoted intervals, implied volatilities and credit spreads, or market corroborated inputs.

- Level 3** Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable. Includes corporate bonds and notes that are valued using a discounted cash flow technique or consensus pricing.

The carrying amount of investments and fair value hierarchy at December 31, 2023 is shown in the following schedule (in thousands of dollars):

The District	December 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments Measured at Fair Value</b>				
<b>Debt Securities</b>				
U.S. Agencies	\$ 275,936	\$ —	\$ 275,936	\$ —
Municipal Bonds	136,638	—	136,638	—
Commercial Paper	94,456	—	94,456	—
U.S. Treasury Bills	29,862	—	29,862	—
Total Investments at Fair Value	<u>\$ 536,892</u>	<u>\$ —</u>	<u>\$ 536,892</u>	<u>\$ —</u>
<b>Investments Not Measured at Fair Value</b>				
Illinois Trust Investment Pool	356,709			
<b>Total Investments</b>	<u>\$ 893,601</u>			

The District does not have Level 1 or Level 3 investments. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Pension Trust Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, the Pension Trust Fund's investment assets at fair value as of December 31, 2023. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. In accordance with generally accepted accounting principles, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the following tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

The Pension Trust fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table sets forth, by level, within the fair value hierarchy, the investments at fair value as of December 31, 2023 (in thousands of dollars):

Pension Trust Fund	Fair Value Measurements Using			
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Equities	\$ 433,831	\$ 433,831	\$ —	\$ —
U.S. Govt and Govt Agency Obligations	121,104	50,619	70,485	—
Corporate and Foreign Govt Obligations	100,815	—	100,815	—
Mutual and Exchange Traded Funds	52,927	52,927	—	—
Total investments by Fair Value Level	<u>\$ 708,677</u>	<u>\$ 537,377</u>	<u>\$ 171,300</u>	<u>\$ —</u>
<b>Investments Measured at NAV</b>	<u>748,674</u>			
Total Investments at Fair Value	<u>\$ 1,457,351</u>			

Level 1 Measurements

Equities, mutual and exchanged traded funds, and U.S. Treasury securities are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of the period presented.

Level 2 Measurements

U.S. Government and government agency obligations and corporate and foreign government obligations are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that include inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker to dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the investment manager's best estimates.



## Notes to the Basic Financial Statements

Year ended December 31, 2023

The valuation methods for investments measured at net asset value (NAV) are presented on the following table:

<b>Pension Trust Fund</b>				
<b>Investments Measured at NAV</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (If Eligible)</b>	<b>Redemption Notice Period</b>
<b>Pooled funds - equity (1)</b>				
Earnest Partners China Fund	\$ 3,828	—	Daily	N/A
SSGA S&P 500 Flagship Fund	222,152	—	Daily	N/A
SSGA S&P 400 Midcap Index Fund	58,991	—	Daily	N/A
SSGA MSCI ACWI Fund	55,225	—	Daily	N/A
SSGA Russell 1000 Growth Index Fund	78,176	—	Daily	N/A
<b>Pooled funds - fixed income (2)</b>				
SSGA U.S. Aggregate Bond Index	159,867	—	Daily	N/A
<b>Real estate funds (3)</b>				
Trumbull Property Fund	43,168	—	Quarterly	60 days
RREEF America REIT II	77,562	—	Quarterly	45 days
<b>Limited Partnership (4)</b>				
Brightwood Capital Fund V, LP	15,282	21,000	Closed-end	N/A
<b>Short-term investment fund (5)</b>				
BNY Melon EB Temporary Investment Fund	34,423	—	Daily	N/A
<b>Total investments measured at NAV</b>	<b>\$ 748,674</b>			

- (1) Pooled funds - equity - The investment objective of these investments is to track the performance of the S&P 500, S&P 400 MidCap, MSCI ACWI ex and Russell 1000 Growth USA indexes over the long term. The fair value of the investments in these funds has been determined using the NAV per share of the investments.
- (2) Pooled funds - fixed income - The investment objective of the U.S. Aggregate Bond Index is to track the performance of the Barclays U.S. Aggregate Bond Index over the long term. The fair value of the investment in the fund has been determined using the NAV per share of the investment.
- (3) Real estate funds - The Trumbull Property Fund's investment objective is to actively manage a core portfolio of primarily equity real estate investments located in the United States. The RREEF America REIT II's investment objective is to generate attractive, predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate while maximizing the total return. The fair value of the investments in these funds has been determined by periodic investment manager appraisals which determine the NAV of the investment.
- (4) Limited partnership - The investment objective of the Brightwood Capital Fund V, LP is to achieve long-term capital appreciation, preserve capital, and achieve a consistent pattern of returns through investments in loans, notes and other debt instruments, total return swaps and other derivative instruments, participation interests, warrants, equity securities including common stock, preferred stock, direct equity investments, and structured equity products. The limited partnership investment is closed-end where the partnership interest is generally illiquid and cannot be redeemed. It is expected that the liquidation of the limited partnership interest will generally coincide with the terms of the partnership agreement. The termination date is April 30, 2028, but may be extended for an additional one-year period as set forth in the terms of the partnership agreement. The fair value of the investment in the fund has been determined using the NAV per share of the investment.
- (5) Short-term investment - This investment's objective is to invest in short-term investments of high quality and low risk to protect capital while achieving investment returns. The fair value of the investments in these funds has been determined using the NAV per share of the investments.

### Derivatives

The Fund's investment managers may use forward foreign currency exchange contracts to manage portfolio risk and to facilitate international portfolio trading.

A derivative security is a financial contract whose value is based on, or "derived" from, a traditional security, an asset, or a market index. Derivative instruments include forward contracts as part of the Fund's portfolio. Derivative instruments are valued using pricing models based on the prevailing forward exchange rate of the underlying currencies taking into account the counterparties' creditworthiness.

Derivative transactions involve, to varying degrees, credit, risk, interest rate risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the previously agreed upon terms. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become costlier to settle. Due to the purpose and short-term nature of the forward currency contracts, these risks are considered to be minimal.

Forward contracts are used to hedge against fluctuations in foreign currency-denominated assets used primarily in portfolio trade settlements. These contracts are a cash contract in which a seller agrees to deliver a specific cash commodity to a buyer sometime in the future. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions. Forward currency contracts are reported at fair value in due to broker and due from broker on the statement of fiduciary net position. The gain or loss on forward currency contracts is recognized and recorded on the statement of changes in fiduciary net position as part of investment income. The forward currency contracts are short term in nature, typically ranging from one month to three months.

The deferred outflows of resources and deferred inflows of resources of the hedging derivatives are immaterial and not included in these financial statements.

At December 31, 2023, the Fund's assets and liabilities included the following forward foreign currency exchange contract balances which are included in due from broker and due to broker:

Forward Foreign Currency Exchange Contract receivables	\$ 123,097
Forward Foreign Currency Exchange Contract payables	\$ 123,290

The carrying amount of investments and fair value hierarchy of the OPEB Trust is shown in the following schedule as of December 31, 2023:

OPEB Trust	December 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Fair Value of Investments</b>				
Domestic Equity Funds	\$ 142,975	\$ 142,975	\$ —	\$ —
International Equity Funds	60,332	60,332	—	—
Domestic Fixed Income Funds	100,437	100,437	—	—
Money Market Funds	8,648	8,648	—	—
<b>Total Fair Value of Investments</b>	<b>\$ 312,392</b>	<b>\$ 312,392</b>	<b>\$ —</b>	<b>\$ —</b>

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The OPEB Trust does not have Level 2 or Level 3 investments.

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### 5. Receivables, Deferred Inflows of Resources and Payables

Certain receivables and payables reported in the financial statements represent aggregations of different components, such as balances due from/to taxpayers, users, other governments, vendors, and employees. The following information is provided to detail significant balances which make up the components.

#### Receivables

Receivables as of December 31, 2023 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve- ments Bond	Retirement	Other Govern- mental	Total Govern- mental	Statement of Net Position
Receivables at December 31, 2023:							
Property taxes:	\$ 311,000	\$ 246,065	\$ —	\$ 73,363	\$ 61,769	\$ 692,197	\$ 692,197
Allowance for uncollectible taxes	(16,689)	(13,252)	—	(3,947)	(3,405)	(37,293)	(37,293)
Net property taxes	294,311	232,813	—	69,416	58,364	654,904	654,904
Personal property replacement tax	—	—	—	12,038	—	12,038	12,038
Total taxes receivable, net	294,311	232,813	—	81,454	58,364	666,942	666,942
Lease receivable (note 14)	341,602	—	—	—	—	341,602	341,602
Other receivables:							
User charges	5,051	—	—	—	—	5,051	5,051
State revolving fund loans	—	—	7,767	—	—	7,767	7,767
Miscellaneous	3,489	—	696	—	861	5,046	5,046
Total other receivables, net	8,540	—	8,463	—	861	17,864	17,864
Total net receivables at December 31, 2023	<u>\$ 644,453</u>	<u>\$ 232,813</u>	<u>\$ 8,463</u>	<u>\$ 81,454</u>	<u>\$ 59,225</u>	<u>\$1,026,408</u>	<u>\$1,026,408</u>

The property tax receivable includes a nominal amount that is not expected to be collected within one year of the financial statement date. Lease receivable is the net present value of all payments based on leased District property subject to GASB 87 reporting.

**Deferred Inflows of Resources**

Unavailable tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Deferred inflows of resources related to leases are reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position in compliance with Statement 87 of the Governmental Accounting Standards Board. Other unavailable revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of unavailable revenue as of December 31, 2023 is as follows (in thousands of dollars):

	<u>General Corporate</u>	<u>Debt Service</u>	<u>Capital Improve- ments Bond</u>	<u>Retirement</u>	<u>Other Govern- mental</u>	<u>Total Govern- mental</u>	<u>Adjust- ments</u>	<u>Statement of Net Position</u>
Deferred inflows of resources at December 31, 2023:								
Property tax revenue	\$ 260,934	\$ 206,402	\$ —	\$ 61,545	\$ 51,753	\$ 580,634	\$ (580,634)	\$ —
Deferred inflows related to leases	337,129	—	—	—	—	337,129	—	337,129
Other amounts:								
Grant revenue	—	—	953	—	—	953	(953)	—
Total deferred revenue at December 31, 2023	<u>\$ 598,063</u>	<u>\$ 206,402</u>	<u>\$ 953</u>	<u>\$ 61,545</u>	<u>\$ 51,753</u>	<u>\$ 918,716</u>	<u>\$ (581,587)</u>	<u>\$ 337,129</u>

**Payables**

Payables reported as "Accounts payable and other liabilities" at December 31, 2023 in the governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	<u>General Corporate</u>	<u>Debt Service</u>	<u>Capital Improve- ments Bond</u>	<u>Retirement</u>	<u>Other Governm- ental</u>	<u>Total Governm- ental</u>	<u>Statement of Net Position</u>
Accounts payable and other liabilities at December 31, 2023:							
Vouchers payable and other liabilities	\$ 34,685	\$ —	\$ 22,047	\$ —	\$ 16,903	\$ 73,635	\$ 73,635
Accrued payroll and withholdings	8,801	—	—	—	—	8,801	8,801
Bid deposits	770	—	—	—	—	770	770
Total accounts payable and other liabilities as of December 31, 2023	<u>\$ 44,256</u>	<u>\$ —</u>	<u>\$ 22,047</u>	<u>\$ —</u>	<u>\$ 16,903</u>	<u>\$ 83,206</u>	<u>\$ 83,206</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### 6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2023, are as follows (in thousands of dollars):

	<b>Balances January 1, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balances December 31, 2023</b>
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	\$ 143,960	\$ —	\$ —	\$ 143,960
Permanent easements	2,763	—	—	2,763
Construction in progress	436,889	63,458	150,076	350,271
Infrastructure under modified approach	5,648,872	142,744	113,991	5,677,625
Total capital assets not depreciated/amortized	<u>6,232,484</u>	<u>206,202</u>	<u>264,067</u>	<u>6,174,619</u>
Capital assets depreciated/amortized:				
Buildings	13,226	—	—	13,226
Right to Use Asset	52,151	—	—	52,151
Equipment	71,392	4,401	599	75,194
Computer software	7,629	—	—	7,629
Infrastructure and easements	1,846,956	—	—	1,846,956
Total capital assets being depreciated/amortized	<u>1,991,354</u>	<u>4,401</u>	<u>599</u>	<u>1,995,156</u>
Less accumulated depreciation/amortization:				
Buildings	7,167	185	—	7,352
Right to Use Asset	26,076	2,086	—	28,162
Equipment	49,888	2,416	417	51,887
Computer software	7,608	21	—	7,629
Infrastructure and easements	277,847	9,333	—	287,180
Total accumulated depreciation/amortization	<u>368,586</u>	<u>14,041</u>	<u>417</u>	<u>382,210</u>
Total capital assets depreciated/amortized, net	<u>1,622,768</u>	<u>(9,640)</u>	<u>182</u>	<u>1,612,946</u>
Governmental activities capital assets, net	<u>\$ 7,855,252</u>	<u>\$ 196,562</u>	<u>\$ 264,249</u>	<u>\$ 7,787,565</u>

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2023, was charged to the District's governmental functions as follows (in thousands of dollars):

<b>Department</b>	<b>Amount</b>
Board of Commissioners	\$ 16
General Administration	446
Monitoring and Research	221
Procurement and Materials Management	16
Human Resources	18
Information Technology	200
Law	12
Finance	11
Engineering	984
Maintenance and Operations	677
Total allocated depreciation	<u>2,601</u>
Unallocated infrastructure depreciation	11,440
Total depreciation	<u>\$ 14,041</u>

## 7. Pension Plan

### Plan Description

The Metropolitan Water Reclamation District Retirement Fund (Pension Trust or Fund) is the administrator of a single employer defined benefit pension plan (Plan) in accordance with 40 ILCS 5 of the Illinois Compiled Statutes. Article 13 of the Illinois Pension code grants the authority to establish the defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan and may be amended only by the Illinois Legislature. The District contribution is currently calculated in accordance with state statute as to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. For the year ended December 31, 2023, the District's contribution was 57.43% of covered payroll. The District's actual contribution to the Retirement Fund was \$117,373,000.

The Pension Trust Fund issues a financial report that includes financial statements and required supplementary information establishing the financial position of the Plan. That report may be obtained by writing to the Metropolitan Water Reclamation District Retirement Fund, 111 E. Erie, Chicago, IL, 60611-2898 or electronically on their website: [www.mwrdrf.org](http://www.mwrdrf.org).

The Pension Trust Fund provides retirement, death, and disability benefits to plan members and beneficiaries. Pension legislation (Public Act 96-0889) was approved in 2010 and established two tiers of members with different eligibility conditions and benefit provisions:

Tier 1 – Employees hired before January 1, 2011 are required to contribute 12% of their salary to the Fund.

Tier 2 – Employees hired on or after January 1, 2011 are required to contribute 9% of their salary to the Fund.

The District is required to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis.

### Retirement Eligibility and Benefits

All full time employees of the District are eligible to participate in the retirement plan.

Tier 1 employees must have at least five years of service at age 60 and include service of 120 days or more per year to receive an undiscounted retirement benefit. Employees in this tier who reach age 55 (or 50 if hired on or before June 13, 1997) with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 60 or service less than 30 years, the normal retirement benefit is reduced by .5% for each full month the member is less than age 60 or service is less than 30 years, whichever is less. Upon withdrawal from service a Tier 1 employee age 55 or under (50 if hired on or before June 13, 1997) and less than age 60 with less than 20 years of service, or age 60 or over with less than 5 years of service, is eligible for a refund of accumulated employee contributions, without interest, upon request. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary. Tier 1 employees receive a 3% cost of living adjustment annually.

Tier 2 employees must have at least 10 years of service at age 67 to be eligible to receive an undiscounted retirement benefit. Employees in this tier who reach age 62 with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 67, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. A Tier 2 employee is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service regardless of age on withdrawal. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20

## Notes to the Basic Financial Statements

Year ended December 31, 2023

years. The benefit shall not exceed 80% of final average salary. Pensionable salary is limited to \$134,071 in 2023 for Tier 2 employees. Tier 2 employees receive a cost of living adjustment as the lesser of 3% or half of the CPI-u for the 12 months ending the September 30th prior to the increase date.

If a covered employee leaves employment before the age of 55, accumulated employee contributions are refundable without interest. Upon receipt of a refund, the employee forfeits rights to benefits from the fund.

There are two other types of annuities available to family members of the plan: Surviving Spouse Annuity and Children's Annuity. The spouses of employees hired before June 13, 1997 are immediately eligible to receive a surviving spouse annuity; spouses of employees hired on or after June 13, 1997 are eligible after three years of member's service. For all Tier 1 employees hired before January 1, 2011, the surviving spouse annuity is equal to 60% of the employee's retirement benefit at the time of death plus 1% for each year of total service to a maximum of 85%. For Tier 2 employees, an eligible surviving spouse will be entitled to an annuity equal to 66 2/3% of the employee's retirement benefit at time of death. Each unmarried child, until the age of 18 (23 if full time student) of an employee that dies in service or of a former member that dies with at least ten years of service, is eligible for a monthly annuity of \$500 per month (if one parent is living) and \$1,000 per month (if neither parent is living) to a maximum total benefit of \$5,000 per month.

### Employees covered

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive Employees	
Employees or beneficiaries currently receiving benefits	2,485
Entitled but not yet receiving benefits	128
Active Employees	<u>1,771</u>
Total Members	<u><u>4,384</u></u>

### Basis of Accounting

The Pension Plan's financial statements are prepared using the accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Fund financial report. Page 67 has the information for obtaining those statements.

**Net Pension Liability and the Changes in the Net Pension Liability**

The District's measurement date for GASB 68 is December 31, 2022. The Pension Plan has a measurement date of December 31, 2023. A copy of the Pension Plan Annual Comprehensive Financial Report for 2023 may be obtained by accessing the Metropolitan Water Reclamation District Retirement Fund's website at [www.mwdrf.org](http://www.mwdrf.org). The net pension liability at December 31, 2023 is \$1,361,643,000, which is an increase from the December 31, 2022 balance of \$1,020,180,000.

<i>(in thousands of dollars)</i>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at December 31, 2022</b>	<u>\$ (2,744,359)</u>	<u>\$ 1,724,179</u>	<u>\$ (1,020,180)</u>
Service Cost	(30,851)	—	(30,851)
Interest	(194,258)	—	(194,258)
Difference between expected and actual experiences	(21,414)	—	(21,414)
Benefit payments	191,583	(191,583)	—
Contributions-employer	—	118,459	118,459
Contributions-employee	—	21,178	21,178
Net investment income	—	(232,449)	(232,449)
Administrative expenses	—	(2,135)	(2,135)
Other	—	7	7
<b>Balances at December 31, 2023</b>	<u><u>\$ (2,799,299)</u></u>	<u><u>\$ 1,437,656</u></u>	<u><u>\$ (1,361,643)</u></u>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions. Employer contributions made subsequent to the measurement date in the amount of \$117,373,000, will be recognized as a reduction of the net pension liability in subsequent fiscal period rather than current fiscal period. Differences between expected and actual experience, changes in assumptions and net differences between projected and actual experience amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands of dollars):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 31,054	\$ —
Changes in assumptions	5,932	—
Employer contribution subsequent to measurement date	117,373	—
Net difference between projected and actual earnings on pension plan investments	186,348	—
<b>Total</b>	<u><u>\$ 340,707</u></u>	<u><u>\$ —</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands of dollars):

<b>Year ended December 31:</b>	
2024	\$ 35,965
2025	54,003
2026	54,381
2027	75,416
2028	3,569
	<u><u>\$ 223,334</u></u>



## Notes to the Basic Financial Statements

Year ended December 31, 2023

### Actuarial Methods and Assumptions

The District's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The District chose to use a measurement date one year in arrears. The total pension liability in the December 31, 2022 actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Varies by service
Investment rate of return	7.25%
Cost of living adjustment	
Tier 1:	3.00%
Tier 2:	1.25%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables with generational mortality improvements based on Scale AA. Female rates are adjusted by a factor of 1.04 and male rates are unadjusted. Pre-retirement mortality rates are the same as post-retirement rates.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study performed in September 2018 based on data for the period December 31, 2012 through December 31, 2017. The valuation reflects the following assumption changes to better reflect anticipated experience. These changes were based on the experience study performed September 28, 2018:

1. Lowered the assumed investment return from 7.50% to 7.25%.
2. Updated retirement rates, withdrawal rates and mortality rates.
3. Updated salary increase rates.
4. Lowered the payroll growth assumption from 3.70% to 3.00%.

### Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.00% and -14.38% for the years ended December 31, 2023 and 2022 respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Investment Allocation and Rate of Return

The long-term expected rate of return on Fund investments (i.e. the actuarial assumed investment rate of return of 7.00%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Fund investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2023, as reported by the Fund's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity	38%	5.1%
Non-US equity	17%	5.2%
Global equity	5%	4.9%
Fixed income	25%	2.5%
Real Estate Funds	10%	3.9%
Private credit	5%	7.1%
Total	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return of 7.25% was applied to all periods of projected benefit payments to determine the pension liability.

A sensitivity analysis is also completed to show the effect on the net pension liability if the discount rate was plus or minus one percentage point from the current rate (in thousands of dollars):

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate of 7.25%</u>	<u>1% Increase 8.25%</u>
Net Pension Liability	\$1,669,297	\$1,361,643	\$1,101,794

**Payable to the Pension Plan and Pension Expense**

At December 31, 2023, the District reported a payable of \$134,502,000 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2023. The actuarially calculated pension expense for the year ended December 31, 2023 was \$161,367,000.

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### 8. OPEB - Other Post-Employment Benefits

#### Plan Description

The Metropolitan Water Reclamation District of Chicago Retiree Health Care Benefit Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District's retirement plan to continue health coverage as a participant in the District's plan.

#### Employees Covered by Benefit Terms

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive Employees	
Inactive plan members currently receiving benefits	1,512
Beneficiaries of deceased plan members currently receiving benefits	401
Inactive plan members entitled to but not yet receiving benefits	40
Active Plan Members	1,759
Total Members	<u>3,712</u>

#### Benefits Provided

Retiree health care benefits are defined as post-retirement medical and prescription drug coverage only; no dental, life, or disability benefits are provided by the Plan. Such benefits are provided by the District through either a self-insured or fully-insured healthcare plan for non-Medicare eligible retirees, while Medicare eligible retirees are provided a fully-insured Medicare Advantage Plan. The benefit levels are the same as those provided to active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage in accordance with the Plan. All full-time employees of the District with at least ten actual years of service are eligible to receive postemployment health care benefits and coverage for retirees is provided for life. The Trust was established to advance fund benefits provided under the Plan. The benefit terms may only be amended by the authority of the District's Board of Commissioners. All classes of employees receive the same Plan benefits.

#### Eligibility for Insurance Coverage

Retirees who meet the age and service requirements are eligible for medical and prescription drug benefits in accordance with the Plan. Employees must have at least ten actual years of service with the District, and coverage does not commence until the member begins receiving payments from the District's Retirement Fund. District Commissioners must have at least six years of service as a Commissioner of the District. Eligibility age is based on the employee's hire date as follows: age 50 for those hired before June 13, 1997, and age 55 for those hired between June 13, 1997 and January 1, 2011, and age 63 for those hired after January 1, 2011.

#### Contributions

Under the terms of the Plan, the Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

The retiree premiums are set based on prior year claims incurred and become effective January 1st each year. The retiree contribution rate is based on the contribution rate policy established by the Board of Commissioners. This policy required a 2.5% increase in the contribution rate on January 1st of each year until the contribution rate reached approximately 50.0%. In future years, contributions are assumed to increase at the same rate as actual claims expenditures.

**Investment Policy**

The Long-Term Expected Rate of Return on OPEB Plan investments is determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Broad Fixed Income	20.0 %	4.9 %
Core Plus Fixed Income	15.0	5.8
Large Cap Core Equity	17.5	6.8
Large Cap Growth Equity	7.5	6.8
Mid Cap Core Equity	7.5	7.3
Small Cap Value Equity	5.0	7.7
Small Cap Core Equity	7.5	7.9
Global Low Volatility	5.0	6.8
Non US Large Cap Core Equity	15.0	7.5
Total	<u>100.0 %</u>	

The Long-Term Expected Rate of Return calculated using the method described above exceeds 6.5% (assuming 2.8% inflation).

**Concentrations**

The Plan did not hold investments in any one organization that represent 5 percent or more of the Fund's Fiduciary Net Position.

**Rate of Return**

For the year ended December 31, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 16.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**Net OPEB Liability**

- The measurement date is December 31, 2022.
- The measurement period for the OPEB expense is January 1, 2022 to December 31, 2022.
- The reporting period is January 1, 2023 through December 31, 2023.
- The District's Net OPEB Liability was measured as of December 31, 2022.

## Notes to the Basic Financial Statements

Year ended December 31, 2023

### Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023 using the following actuarial assumptions:

Inflation Rate	2.8%
Salary Increase Rates	Varies by service
Discount Rate	6.5%
Initial Trend Rate	8.5%
Ultimate Trend Rate	4.0%
Investment Rate of Return	6.5%
Years to Ultimate	51

For all members, mortality rates were based on the PubG-2010 Public Retirement Plans health mortality tables as projected for various classes.

The information included in the report is based on the actuarial valuation performed as of December 31, 2023. Actuarial valuations of the total OPEB liability are required to be completed every two years for the Trust. The next valuation date is December 31, 2025.

### Discount Rate

The projection of cash flows used to determine the Discount Rate assumed that current District contributions will be made at the current contribution rate (i.e. funding policy). The expected rate of return on trust investments is 6.5%. The District has adopted a funding policy as of October 2, 2014 with the intention of fully funding the plan by 2026 and maintaining 100% funding thereafter. The District has shown that they are following the funding policy completely and will continue to do so. Therefore, the expected return on investments was used to discount projected benefit payments for all future benefit payments and the single equivalent rate was 6.5%.

### Change in OPEB Liability

(in thousands of dollars)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Reporting Period Ending December 31, 2022	\$ 337,647	\$ 311,163	\$ 26,484
Changes for the Year:			
Service Cost	3,659	—	3,659
Interest	21,842	—	21,842
Employer trust contributions	—	5,000	(5,000)
Pay-as-you-go contributions	—	10,720	(10,720)
Net Investment Income	—	(51,970)	51,970
Benefit payments	(10,720)	(10,720)	—
Administrative expense	—	(45)	45
Net Changes	14,781	(47,015)	61,796
Reporting Period Ending December 31, 2023	<u>\$ 352,428</u>	<u>\$ 264,148</u>	<u>\$ 88,280</u>

**Sensitivity of the Net OPEB Liability to changes in the Discount Rate**

The following presents the Net OPEB Liability of the District calculated using the discount rate of 6.5% as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate (in thousands of dollars):

	<b>1% Decrease (5.5%)</b>	<b>Current Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
Net OPEB Liability	\$ 134,724	\$ 88,280	\$ 49,822

**Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates**

The following presents the Net OPEB Liability of the District calculated using the healthcare cost trend rate of 4.0% to 7.5% as well as what the District's Net OPEB Liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.0% to 6.5%) or one percentage point higher (5.0% to 8.5%) than the current rate (in thousands of dollars):

	<b>1% Decrease (3.0% - 6.5%)</b>	<b>Healthcare Cost Trend Rates (4.0% - 7.5%)</b>	<b>1% Increase (5.0% - 8.5%)</b>
Net OPEB Liability	\$ 43,622	\$ 88,280	\$ 142,145

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2023, the District recognized OPEB Expense/(Revenue) of \$8,183. On December 31, 2023, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (in thousands of dollars):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Differences between expected and actual experience	\$ 2,922	\$ 11,219
Changes of assumptions	13,639	15,982
Net difference between projected and actual earnings on OPEB Plan Investments	34,568	—
Employer contributions made subsequent to the measurement date	13,524	—
Total	\$ 64,653	\$ 27,201

Employer contributions made after the measurement date are actual employer contributions that will be recognized as a reduction of the OPEB liability in the subsequent year rather than in the reporting period ending December 31, 2023.

## Notes to the Basic Financial Statements

Year ended December 31, 2023

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows (in thousands of dollars):

<u>Year Ended December 31:</u>	
2024	\$ (1,914)
2025	3,456
2026	6,947
2027	14,955
2028	484
Thereafter	—

### 9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of \$7,408,000 at December 31, 2023. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were \$368,582,000 at December 31, 2023. State Revolving Fund Loan commitments of \$140,794,000 at December 31, 2023, are collectible as the contract expenditures are incurred.

The Internal Revenue Code requires that an issuer of tax-exempt bonds rebate to the United States any excess investment earnings made with the gross proceeds of an issue over the amount which would have been earned had such proceeds been invested at a rate equal to the yield on the issue. The Internal Revenue Code offers certain "safe harbors" permitting qualified governments to keep extra earnings that result from arbitrage. The District has made a determination of their probable liability for amounts potentially due to the United States government. As of December 31, 2023, the District has no arbitrage rebate liability.

#### **National Pollutant Discharge Elimination System**

**NPDES Permits.** The District operates its water reclamation plants (the "WRPs") in accordance with National Pollutant Discharge Elimination System ("NPDES") permits issued by the IEPA. Pursuant to negotiated conditions in the District's NPDES permits for its Stickney, Calumet, and O'Brien WRPs, the District is required to fund a study on phosphorus in the area waterways. If the study identifies problems caused by phosphorus levels in the water, the District must commission a plan to address those problems. Such a plan would potentially require the District to significantly reduce phosphorus levels in the effluent of its WRPs, and the costs of doing so could be substantial.

Moreover, costly phosphorus reductions might also be required for the District's Egan, Hanover Park, and Kirie WRPs. IEPA has recently issued final permits for these plants that similarly contain conditions requiring a phosphorus study and plan to address any problems caused by phosphorus in the receiving waters of the plants.

**Class Action Flooding Claims.** The District presently is a party to a proposed class-action lawsuit pending in the Circuit Court of Cook County arising out of local sewer back-ups and overland flooding resulting in basement flooding. Flooding class-actions are generally brought in tort or for constitutional or statutory violations. To date, Illinois courts have ruled in the District's favor in every fully-adjudicated flooding matter that the District has defended.

In the currently pending case, a constitutional question was appealed to the Illinois Supreme Court, which answered the question and remanded the case back to the Circuit Court for further proceedings. Those proceedings are still ongoing.

**Tax Rate Objection Litigation.** Tax rate objection litigation refers to lawsuits brought by taxpayers seeking refunds for all or a portion of their property tax. Generally, taxpayers file these suits because they believe that they have paid an excessive, unnecessary, or illegal property tax.

These suits are filed against the District and other taxing bodies on a yearly basis. Presently, the District is defending rate objection lawsuits for the 2010 through 2021 tax years. The rate objection cases currently pending against the District include a variety of objections to the tax levies for the District's corporate, construction, stormwater, reserve claim, and bond and interest funds.

If the taxpayers were to prevail on each of these claims, the District's liability would be substantial. However, if the District is found liable or agrees to settle for any of the tax years at issue, it does not pay the plaintiffs directly. Rather, the Cook County Treasurer issues the refund to those plaintiffs from current collections. Yet, these refunds are significantly delayed because the Treasurer cannot issue them until every rate objection against each of the 600 to 700 Cook County taxing districts has been resolved for the tax year in question. This process takes years and the lag time between settlements and refunds is currently over 10 years.

## **10. Risk Management and Claims**

The District is primarily self-insured for the "working layer" of losses, and purchases excess insurance to assist in the response to catastrophic claims. Under the Reserve Claim Fund, the District may levy an annual property tax not to exceed .005% of the equalized assessed valuation of taxable property within the District's territorial limits. The Reserve Claim Fund can be used for the payment of claims, awards, losses, judgments, liabilities, settlements, or demands, and associated attorney's fees and costs that might be imposed on or incurred by such sanitary district in matters including, but not limited to, the Workers' Compensation Act or the Workers' Occupational Diseases Act; any claim in tort; any claim of deprivation of any constitutional or statutory right or protection; for all expenses, fees, and costs, both direct and in support of any property owned by such sanitary district which is damaged by fire, flood, explosion, vandalism or any other peril, natural or man-made. The aggregate amount that may accumulate in the Reserve Claim Fund cannot exceed .05% of the equalized assessed valuation. The Reserve Claim Fund accounts are included in the General Corporate Fund as described in Note 1.b to the financial statements.

From time to time, the District may be involved in various litigation relating to claims arising from general liability, property damage, automobile liability, personal injury, employment practices, marine liability, and public officials liability. The majority of these claims and judgments would be covered by insurance or paid from the Reserve Claim Fund accounts.

The District may be involved in various litigation relating to claims arising from construction contracts. Construction-related liability claims can typically be tendered to the Contractor for defense and indemnification. Most other claims and judgments involving disputed construction contracts would be paid by the Capital Improvements Bond or Construction Funds.

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its currently or formerly leased-out properties. The District has developed preliminary estimates of environmental remediation costs for sites needing environmental remediation. The range of such estimated costs is between \$29,500,000 and \$42,900,000. The Law Department is of the opinion that the tenants, (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk of, if not all of, these site clean-up costs. Negotiations are under way between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. However, a provision of \$6,300,000 in long-term debt is being recognized as of December 31, 2023, as an estimate of the potential contingent liability of the District. The amount of \$7,050,000 in contingent liability was recognized as of



## **Notes to the Basic Financial Statements**

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*Year ended December 31, 2023*

December 31, 2022. This represents a decrease of \$750,000 in the recognized contingent liability between December 31, 2022 and December 31, 2023. Of this \$6,300,000, \$0 is estimated to be the short-term (2024) liability and \$6,300,000 is the estimated long-term (after 2024) liability. A large decrease in contingent liability was registered in 2007 and was largely due to the implementation of Statement No. 49 of the Governmental Accounting Standards Board of Accounting and Financial Reporting for Pollution Remediation Obligations which specifies five obligating events, one of which must occur before a pollution remediation cost can be accrued as a liability.

The District provides health insurance benefits to employees through a fully insured health maintenance organization and a self-insured comprehensive indemnity/PPO plan. The District provides dental insurance benefits through a fully insured dental maintenance organization and a self-insured dental indemnity plan. The District does not purchase stop-loss insurance for its self-insured comprehensive indemnity/PPO plan. The District provides life insurance benefits for active employees through an insured life insurance program.

*Metropolitan Water Reclamation District of Greater Chicago*

Additional insurance policies in effect at December 31, 2023, are listed below. There was a reduction in Limits for Excess Liability Insurance. There were no other reductions in insurance coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three fiscal years. The current insurance coverage and risk retention related to these policies is as follows:

<i>Marine Liability</i>	
Aggregate .....	\$10,000,000
Deductible .....	\$10,000
<i>Excess Liability</i>	
Aggregate .....	\$20,000,000
Deductible .....	\$7,500,000
<i>Government Crime</i>	
<i>Forgery or Alteration, Robbery, Safe Burglary, Money Orders, Counterfeit Currency</i>	
Per Occurrence .....	\$750,000
Deductible .....	\$50,000
<i>Employee Theft (including Faithful Performance)</i>	
Per Occurrence .....	\$6,000,000
Deductible .....	\$100,000
<i>Computer Fraud</i>	
Per Occurrence .....	\$6,000,000
Deductible .....	\$100,000
<i>Funds Transfer Fraud</i>	
Per Occurrence .....	\$6,000,000
Deductible .....	\$100,000
<i>Property Insurance</i>	
Per Occurrence .....	\$750,000,000
Deductible .....	\$15,000,000
<i>Earth Movement</i>	
Aggregate .....	\$100,000,000
Deductible .....	\$15,000,000
<i>Flood and Water Damage</i>	
Per Occurrence .....	\$100,000,000
Deductible .....	\$15,000,000
<i>Group Business Travel Accidental</i>	
Aggregate Limit .....	\$10,000,000
<i>Accidental Death</i>	
Employee (5 times salary up to this maximum) .....	\$500,000
Guest .....	\$100,000
Spouse/Domestic Partner .....	\$25,000
Dependent Children .....	\$10,000
<i>Fiduciary Liability</i>	
Aggregate .....	\$5,000,000
Self-Insured Retention .....	\$10,000
<i>Group Term Life (basic)</i>	
Per Employee .....	\$25,000
<i>Cyber Liability</i>	
Aggregate .....	\$5,000,000
Deductible .....	\$500,000

## Notes to the Basic Financial Statements

Year ended December 31, 2023

The following changes in claims liabilities for the past two years have been calculated and include claims reported but not settled, as well as those incurred but not reported, in the government-wide financial statements (in thousands of dollars):

	<u>2023</u>	<u>2022</u>
Claims Payable at January 1	\$ 21,054	\$ 19,027
Claims incurred	\$ 3,111	\$ 4,231
Changes in prior years' claims estimate	\$ (2,108)	\$ 2,027
Claim payments	\$ (3,111)	\$ (4,231)
Claims Payable at December 31	<u>\$ 18,946</u>	<u>\$ 21,054</u>

### 11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2023 (in thousands of dollars):

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>	<u>Due Within One Year</u>
<b>Governmental long-term liabilities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 1,758,435	\$ —	\$ (55,090)	\$ 1,703,345	\$ 57,500
Converted bond anticipation notes	878,946	14,377	(79,112)	814,211	78,397
Bond anticipation notes	18,942	38,221	(14,377)	42,786	—
Total bonds & notes payable	<u>2,656,323</u>	<u>52,598</u>	<u>(148,579)</u>	<u>2,560,342</u>	<u>135,897</u>
Other Bond Cost:					
Premium	179,473	—	(15,157)	164,316	15,157
Net bonds and notes payable	<u>2,835,796</u>	<u>52,598</u>	<u>(163,736)</u>	<u>2,724,658</u>	<u>151,054</u>
Other liabilities:					
Claims and judgments	21,054	—	(2,108)	18,946	6,373
Compensated absences	17,205	70	(859)	16,416	2,034
Availability payment arrangement	24,262	—	(3,296)	20,966	3,459
Net OPEB liability (note 8)	26,484	77,516	(15,720)	88,280	—
Net pension liability, (note 7)	1,020,180	481,107	(139,644)	1,361,643	—
Total governmental long-term liabilities	<u>\$ 3,944,981</u>	<u>\$ 611,291</u>	<u>\$ (325,363)</u>	<u>\$ 4,230,909</u>	<u>\$ 162,920</u>

Liabilities for the Bonds and Bond Anticipation Notes are paid from the Debt Service Fund. Liabilities for Compensated Absences are primarily paid from the General Corporate and Stormwater Management Funds. Most claims resulting from construction projects are paid from either the Capital Improvements Bond or the Construction Funds, while all other claims are paid from the Reserve Claim Fund accounts in the General Corporate Fund. The availability payment arrangement liability is paid from the Capital Improvement Bond Fund. The Corporate Fund has provided \$5,000,000 annual contributions to fund the Retiree Health Care Trust. Pension liabilities are funded by the Retirement Fund with an additional contribution from the Corporate Fund in 2023 of \$30,000,000. The Metropolitan Water Reclamation District Retirement Fund was established to provide retirement, death, and disability benefits for covered employees of the District.

*Metropolitan Water Reclamation District of Greater Chicago*

As of December 31, 2023, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

**Bonds Payable Maturity Table**

<b>Maturing</b>	<b>Capital Improvement &amp; Alternate Revenue Bond Series (2.00-5.72%) (Issued 08/09 to 7/16)</b>	<b>Refunding (2.00-5.00%) (Issued 03/07 to 7/16)</b>	<b>State Revolving Funds Series (0.0-2.905%) (Issued 06/96 to 07/16)</b>	<b>Total Principal</b>	<b>Total Interest</b>
2024	\$ 54,045	\$ 88,869	\$ 92,842	\$ 135,897	\$ 99,859
2025	54,731	88,078	89,016	136,283	95,543
2026	62,105	81,424	85,392	137,728	91,192
2027	70,148	85,979	83,391	152,659	86,858
2028	72,788	85,293	79,405	155,338	82,149
2029-2033	344,375	513,042	290,668	819,764	328,322
2034-2038	712,212	115,417	159,640	840,822	146,447
2039-2043	49,064	8,804	30,031	65,746	22,153
2044-2048	67,138	—	—	58,240	8,898
2049-2051	16,302	—	—	15,079	1,222
	<u>\$ 1,502,908</u>	<u>\$ 1,066,906</u>	<u>\$ 910,385</u>	<u>\$ 2,517,556</u>	<u>\$ 962,643</u>

**Alternate Revenue Bonds**

The District has received bond proceeds for the following alternate revenue bond series to fund a portion of the Stormwater Management Program projects, as shown below (in thousands of dollars).

<b>Issue</b>	<b>Bond Proceeds Received</b>
2021 Refunding Taxable Series F	\$ 45,800,000
2016 Tax Series E	50,000,000
2014 Tax Series B	50,000,000
State Revolving Funds - IEPA Series 14O	3,100,000
State Revolving Funds - IEPA Series 14R	39,700,000

The pledge of the Stormwater Management Fund tax levy will remain until their final scheduled maturities in December 2045. The District has covenanted in the Series 2021F, 2016E, 2014B, 14O and 14R Bond Ordinances to provide for, collect, and apply such Stormwater Management Tax Receipts to the payment of the 2021F, 2016E, 2014B, 14O and 14R Bonds, and the provision of not less than an additional .25 times the annual debt service on the bonds. The amount of pledges remaining at December 31, 2023, is \$184,414,000 as shown below (in thousands of dollars).

<b>Issue</b>	<b>Pledged Revenue Collected</b>	<b>Debt Service Principal</b>	<b>Debt Service Interest</b>	<b>Total Remaining</b>
2021 Refunding Taxable Series F	\$ 4,069	\$ 44,005	\$ 12,586	\$ 56,591
2016 Tax Series E	17,249	47,695	32,018	79,713
2014 Tax Series B	24,219	1,175	59	1,234
State Revolving Funds - IEPA Series 14O	762	2,546	360	2,906
State Revolving Funds - IEPA Series 14R	4,531	37,286	6,684	43,970
Total	<u>\$ 50,830</u>	<u>\$ 132,707</u>	<u>\$ 51,707</u>	<u>\$ 184,414</u>

## Notes to the Basic Financial Statements

*Year ended December 31, 2023*

### **2021 Bond Issues**

In December 2021, the District issued \$113,935,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series A (Green Bonds), with maturity dates from 2027 to 2051. The bonds were issued at a premium of \$29,011,224. Interest accrues on the bonds at rates ranging from 4.0% to 5.0%, payable on December 1 and June 1.

In December 2021, the District issued \$30,000,000 of Taxable General Obligation Capital Improvement Bonds, Unlimited Tax Series B (Green Bonds), with maturity dates from 2033 to 2036. The bonds were issued at a premium of \$9,836,177. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In December 2021, the District issued \$166,180,000 in General Obligation Refunding Bonds, Limited Tax Series C, with maturity dates from 2022 to 2032. The bonds were issued at a premium of \$38,623,550. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund \$204,005,000 of outstanding principal amount, plus accrued interest, of 2011 Limited Tax Series B.

In December 2021, the District issued \$31,555,000 in General Obligation Refunding Bonds, Unlimited Tax Series D, with maturity dates from 2029 to 2031. The bonds were issued at a premium of \$10,108,983. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund \$41,500,000 of outstanding principal amount, plus accrued interest, of 2011 Unlimited Tax Series C.

In December 2021, the District issued \$112,485,000 in Taxable General Obligation Refunding Bonds, Unlimited Tax Series E, with maturity dates from 2026 to 2033. Interest accrues on the bonds at rates ranging from 1.615% to 2.684%, payable on December 1 and June 1. The bonds were issued to refund \$100,000,000 of outstanding principal amount, plus accrued interest, of 2014 Unlimited Tax Series A.

In December 2021, the District issued \$45,845,000 in Taxable General Obligation Refunding Bonds (Alternate Revenue Source), Unlimited Tax Series F, with maturity dates from 2022 to 2041. Interest accrues on the bonds at rates ranging from 0.570% to 3.060%, payable on December 1 and June 1. The bonds were issued to refund \$40,755,000 of outstanding principal amount, plus accrued interest, of 2014 Unlimited Tax Series B.

### **2016 Bond Issues**

In June 2016, the District issued \$280,930,000 in General Obligation Refunding Bonds, Unlimited Tax Series A, with maturity dates from 2023 to 2031. The bonds were issued at a premium of \$68,206,452. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund \$346,600,000 of outstanding principal amount, plus accrued interest, of May 2006 Unlimited Tax Series.

In June 2016, the District issued \$41,330,000 in General Obligation Refunding Bonds, Limited Tax Series B, with maturity dates from 2023 to 2031. The bonds were issued at a premium of \$9,835,301. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund \$50,790,000 of outstanding principal amount, plus accrued interest, of May 2006 Limited Tax Series.

In June 2016, the District issued \$30,000,000 of Taxable General Obligation Capital Improvement Bonds, Unlimited Tax Series C (Green Bonds), with maturity dates from 2044 to 2045. The bonds were issued at a premium of \$5,739,300. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued \$20,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series D (Green Bonds), with maturity dates from 2022 to 2030. The bonds were issued at a premium of \$4,718,891. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued \$50,000,000 of Taxable General Obligation Bonds (Alternate Revenue Source), Unlimited Tax Series E (Green Bonds), with maturity dates from 2022 to 2045. The bonds were issued

at a premium of \$10,545,322. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued \$4,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series F (Qualified Energy Conservation Green Bonds), with a maturity date of December 1, 2036. Interest accrues on the bonds at a rate of 4.0%, payable on December 1 and June 1.

#### **2015 Bond Issues**

In January 2015, the District issued \$50,000,000 of Taxable General Obligation Bonds (Alternate Revenue Source), Unlimited Tax Series B (Green Bonds), with maturity dates from 2016 to 2044. The bonds were issued at a premium of \$7,720,129. Interest accrues on the bonds at rates ranging from 2.0% to 5.0%, payable on December 1 and June 1. An amount of \$40,755,000 of these bonds was due to mature in the years 2025 to 2044, which was refunded in December 2021.

In January 2015, the District issued \$75,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series C (Green Bonds), with maturity dates from 2016 to 2028. The bonds were issued at a premium of \$14,022,875. Interest accrues on the bonds at rates ranging from 2.0% to 5.0%, payable on December 1 and June 1.

#### **2009 Bond Issues**

In August 2009, the District issued \$600,000,000 in taxable General Obligation Capital Improvement Bonds, Limited Tax Series of August 2009 (Build America Bonds – Direct Payment). The bonds have an interest rate of 5.72%, payable on December 1 and June 1, and mature on December 1, 2038. The bonds are subject to mandatory sinking fund redemption on December 1 in years 2033 through 2038. The Build America Bonds (BAB) program was authorized as part of the American Recovery and Reinvestment Act of 2009 and includes a subsidy of 35% of interest cost to be paid to the District by the U.S. Treasury for the life of the bonds. The federal subsidy reduces the effective interest rate on the bonds to 3.72%. Sequestration may reduce the subsidy received from the U.S. Treasury in future years.

#### **2007 Bond Issues**

In March 2007, the District issued \$91,845,000 in General Obligation Refunding Bonds, Unlimited Tax Series B, at a premium of \$17,462,417. The bonds have an interest rate of 5.25%, payable on December 1 and June 1, and maturity dates from 2034 to 2035. The bonds were issued to refund \$100,000,000 of outstanding principal, plus accrued interest, of 2006 Unlimited Tax Series.

In March 2007, the District issued \$101,860,000 in General Obligation Refunding Bonds, Limited Tax Series C, at a premium of \$18,859,718. The bonds have an interest rate of 5.25%, payable on December 1 and June 1, and maturity dates from 2025 to 2033. The bonds were issued to refund \$110,435,000 of outstanding principal, plus accrued interest, of 2006 Unlimited Tax Series.

#### **Capital Improvement Bonds, IEPA Series**

The District has adopted bond ordinances authorizing issuance of its general obligation bonds to the Illinois Environmental Protection Agency (IEPA). The most recent such authorization was pursuant to a bond ordinance adopted in calendar year 2021 in the amount of \$420,000,000 for Capital Improvement Bonds, 2021 IEPA Series. The IEPA approves various capital improvements related to sewage treatment works and flood control facilities for funding from the State Water Pollution Control Revolving Loan Fund (SRF). Once a project has been approved, the State offers the District a loan from the State's Revolving Loan Fund, which the District incorporates into the form of the bond which is issued to the IEPA (the Loan/Bond). When work on the project begins, the District pays the contractor. The District receives a corresponding amount of advance on the Loan/Bond from the IEPA. This form of loan is commonly referred to as a drawdown loan. The advances continue on the Loan/Bond until the project is completed or the amount of the loan fully advances, whichever occurs first. In

## Notes to the Basic Financial Statements

Year ended December 31, 2023

general, within two years of the first advance on a Loan/Bond, the IEPA promulgates a repayment schedule on such Loan/Bond. The repayment schedules call for level payments of principal and interest, collectively, over a 20 year period beginning within six months of the date the repayment schedule is promulgated. Under this authority, the IEPA has approved the following loan amounts:

2023 .....	\$ 61,100,000
2022 .....	\$ 60,900,000
2021 .....	\$ 13,800,000

In 2016, the District authorized the issuance of \$500,000,000 of Capital Improvement Bonds, 2016 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2021 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2021 .....	\$ 44,100,000
2020 .....	\$ 9,300,000
2019 .....	\$ 70,100,000
2018 .....	\$ 34,600,000
2017 .....	\$ 7,900,000
2016 .....	\$ 155,900,000

In 2014, the District authorized the issuance of \$425,000,000 of Capital Improvement Bonds, 2014 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2016 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2019 .....	\$ 62,300,000
2018 .....	\$ 4,900,000
2017 .....	\$ 4,200,000
2016 .....	\$ 150,100,000
2015 .....	\$ 54,600,000
2014 .....	\$ 83,600,000
2012 .....	\$ 17,400,000

State Revolving Fund (SRF) Loan proceeds of \$37,921,000 are recognized as “other financing sources” in the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as SRF proceeds is also recognized as a long-term liability in the government-wide Statements of Net Position.

The District refinances bond anticipation notes through the issuance of its Capital Improvement Bonds in the amount of the bond anticipation notes, plus accrued interest. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal of \$37,921,000 and interest of \$300,000 through the balance sheet date on bond anticipation notes resulting in the total increase to long-term debt of \$38,221,000.

The converted bond anticipation notes, a reduction of long-term debt, of \$14,377,000 in 2023 represented the sum of converted bond anticipation note principal of \$14,251,000 and interest in the amount of \$126,000.

**2023 Bond Issues** and adjustments to existing issues under the IEPA 2014, 2016 and 2021 authority included:

- July 2023 – The District issued \$304,000 of Capital Improvement Bonds - IEPA Series 14I, through the conversion of the sum of bond anticipation note principal of \$304,000 with maturity dates from January 1, 2024 to July 1, 2038. Interest on the bonds accrues at a rate of 1.86%, payable January 1 and July 1.
- July 2023 – The District issued \$304,000 of Capital Improvement Bonds - IEPA Series 14Q, through the conversion of the sum of bond anticipation note principal of \$301,000 and interest of \$3,000 with maturity dates from January 1, 2024 to January 1, 2040. Interest on the bonds accrues at a rate of 1.76%, payable January 1 and July 1.
- July 2023 – The District issued \$232,000 of Capital Improvement Bonds - IEPA Series 16B, through the conversion of the sum of bond anticipation note principal of \$230,000 and interest of \$2,000 with maturity dates from January 1, 2024 to July 1, 2040. Interest on the bonds accrues at a rate of 1.84%, payable January 1 and July 1.
- July 2023 – The District issued \$4,237,000 of Capital Improvement Bonds - IEPA Series 16C, through the conversion of the sum of bond anticipation note principal of \$4,197,000 and interest of \$40,000 with maturity dates from January 1, 2024 to July 1, 2039. Interest on the bonds accrues at a rate of 1.76%, payable January 1 and July 1.
- July 2023 – The District issued \$314,000 of Capital Improvement Bonds - IEPA Series 16G, through the conversion of the sum of bond anticipation note principal of \$312,000 and interest of \$2,000 with maturity dates from January 1, 2024 to July 1, 2041. Interest on the bonds accrues at a rate of 2.00%, payable January 1 and July 1.
- July 2023 – The District issued \$698,000 of Capital Improvement Bonds - IEPA Series 16H, through the conversion of the sum of bond anticipation note principal of \$689,000 and interest of \$9,000 with maturity dates from January 1, 2024 to July 1, 2041. Interest on the bonds accrues at a rate of 2.00%, payable January 1 and July 1.
- July 2023 – The District issued \$3,352,000 of Capital Improvement Bonds - IEPA Series 16I, through the conversion of the sum of bond anticipation note principal of \$3,302,000 and interest of \$50,000 with maturity dates from January 1, 2024 to July 1, 2042. Interest on the bonds accrues at a rate of 2.00%, payable January 1 and July 1.
- July 2023 – The District issued \$135,000 of Capital Improvement Bonds - IEPA Series 16P, through the conversion of the sum of bond anticipation note principal of \$134,000 and interest of \$1,000 with maturity dates from January 1, 2024 to January 1, 2042. Interest on the bonds accrues at a rate of 1.35%, payable January 1 and July 1.
- July 2023 – The District issued \$4,801,000 of Capital Improvement Bonds - IEPA Series 21E, through the conversion of the sum of bond anticipation note principal of \$4,782,000 and interest of \$19,000 with maturity dates from January 1, 2024 to July 1, 2043. Interest on the bonds accrues at a rate of 1.11%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes were \$42,786,000 at December 31, 2023. Of the bond anticipation notes outstanding at December 31, 2023, \$10,946,000 will be financed through IEPA Series 2016 bonds and \$31,840,000 will be financed through IEPA series 2021 bonds. None of these outstanding bond anticipation notes are expected to be repaid within the next year; therefore, the notes are reported as part of long-term debt.



## Notes to the Basic Financial Statements

Year ended December 31, 2023

### Availability payment arrangement

In December 2000, the Board of Commissioners authorized the District to enter into a long-term contract with an engineering firm to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District's Central (Stickney) Water Reclamation Plant, and beneficially use the final product for a period of twenty years.

The cost of the biosolids processing facility is considered an availability payment arrangement (APA) since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the APA are estimated at \$83,123,000 for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. During 2023, the District incurred expenses of approximately \$3,297,000 for principal and \$1,093,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2023, the future principal and interest payments for the biosolids facility are shown below (in thousands of dollars):

Availability Payment Arrangement Maturity Table

Maturing	Total Principal	Total Interest	Total Payments
2024	\$ 3,459	\$ 931	\$ 4,390
2025	3,629	761	4,390
2026	3,807	583	4,390
2027	3,993	396	4,389
2028	4,189	200	4,389
2029-2033	1,889	24	1,913
Total Payments	<u>\$ 20,966</u>	<u>\$ 2,895</u>	<u>\$ 23,861</u>

### Refunding Transactions

In prior years, the District defeased certain bond obligations by placing the proceeds of new bonds in trust to provide for all future debt service requirements of the refunded debt. Accordingly, the assets and liabilities of the trust account for the refunded bonds are not included in the accompanying financial statements, as the District defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions. Bonds outstanding in the amount of \$147,793,000 were considered defeased at December 31, 2023.

## 12. Interfund Transactions

The interfund receivable and payable balances at the end of the year are reported as "due from/to other funds" in the Governmental Funds Balance Sheets and are eliminated in the government-wide Statements of Net Position. The balances represent payroll transactions paid from the General Corporate Fund that are later reimbursed by other funds. Also, any temporary cash overdrafts are reclassified as interfund receivable/payable balances at the end of the year in the fund balance sheet. Interfund balances are generally repaid within twelve months of the fiscal year end.

Individual interfund receivable and payable balances at December 31, 2023, are as follows (in thousands of dollars):

	<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>
General Corporate Fund	\$ 402	\$ —
Capital Projects Funds:		
Stormwater Management Fund (Nonmajor Fund)	—	402
	\$ 402	\$ 402

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund of \$19,909,000 at December 31, 2023, that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Position.

Transfers between funds as authorized in the budget are recorded as “other financing sources (uses)” in the fund operating statements. Individual transfers throughout 2023 are as follows (in thousands of dollars):

<b>Transfer Reason</b>	<b>Transfer to/(from)</b>					
	<b>General Corporate Fund</b>	<b>Debt Service Fund</b>	<b>Capital Improvement Bond Fund</b>	<b>Retirement Fund</b>	<b>Stormwater Management Fund</b>	<b>Construction Fund</b>
Alternate Revenue bond funding	\$ —	\$ 9,531	\$ —	\$ —	\$ (9,531)	\$ —
Pension funding	(30,000)	—	—	30,000	—	—
Total transfers	\$ (30,000)	\$ 9,531	\$ —	\$ 30,000	\$ (9,531)	\$ —

### 13. Property Tax Extension Limitation Law

Effective March 1, 1995, the Property Tax Extension Limitation Law limits the amount of property taxes the District can extend for years subsequent to 1993. The law limits the District's increase in aggregate tax levy extension to 5% of the previous year or to the percentage increase in the consumer price index, whichever is less. The aggregate limitation does not apply to the District's Debt Service and Stormwater Management Fund levies.

As part of the District's Property Tax Levy subject to the Illinois Property Tax Extension Limitation Law, the Construction Fund Property Tax Levy is adjusted downward if the estimated increase in the aggregate is more than the allowable extension under the law.

In Section 18-195 of the Law, the County Clerk is instructed to proportionally reduce all the levies subject to the limitation unless the taxing district requests otherwise. Through the Levy ordinances, the District requests the County Clerk to reduce the entire reduction to the aggregate levy by reducing the Construction Fund as required by Section 18-195 of the law.

In addition, the individual tax levies of the Corporate, Construction, Reserve Claim, Stormwater Management, Corporate Working Cash, and Construction Working Cash Funds have statutory limitations. The Corporate levy cannot exceed .41% of the equalized assessed valuation, while the Construction levy cannot exceed .10% of the equalized assessed valuation and the Corporate Working Cash and Construction Working Cash levies individually cannot exceed .005% of the equalized assessed valuation. The Reserve Claim levy cannot exceed .005% of the equalized assessed valuation and the aggregate amount which may accumulate in the Reserve Claim Fund shall not exceed .05% of the equalized assessed valuation. The Stormwater Management Fund levy cannot exceed .05% of the equalized assessed valuation as a result of statutory changes. The Debt

## Notes to the Basic Financial Statements

Year ended December 31, 2023

Service Fund is limited through debt service extension limitations under the Property Tax Extension Limitation Law.

### 14. Leases

#### Lease Rentals

The District leases land to governmental and commercial tenants under lease agreements for periods of up to 99 years. The District is a lessor for 182 noncancellable leases of District land to a large number of outside parties. There were no contingent lease rentals for the period. The District does not lease any depreciable assets. The cost of the land associated with the commercial leases is \$5,831,090.

#### Lease Rentals - GASB 87

Lease agreements greater than 12 months and annual rents of \$100,000 or more are subject to GASB Statement 87 reporting. Following the adoption of Statement No. 87 of the Governmental Accounting Standards Board (GASB 87), the District began capitalizing future revenue streams from agreements with annual rents of \$100,000 and above and non-cancellable duration of over 12 months. As of December 31, 2023, the District was the lessor in 65 such rental agreements with a net present value of \$341,602,000. Variable lease payments based on usage and CPI-based increases have been excluded.

The table below shows projected principal and interest revenue for all GASB 87 leases (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>
2024	11,092	8,548
2025	11,073	8,852
2026	10,964	8,595
2027	10,978	8,151
2028	10,981	7,882
2029-2033	59,198	35,114
2034-2038	64,442	27,269
2039-2043	56,248	19,461
2044-2048	39,377	12,702
2049-2053	27,160	7,618
2054-2058	8,983	4,869
2059-2063	3,888	3,975
2064-2068	2,264	3,595
2069-2073	2,591	3,269
2074+	22,363	15,484
Total Projected Revenue	<u>\$ 341,602</u>	<u>\$ 175,384</u>

For the reporting period there were no lease agreements subject to GASB 87 reporting where the District was a lessee.

Rental agreements not subject to GASB 87 reporting have a maximum possible term of 12 months at commencement and revenue is recognized upon receipt of lease payments. The following table is a summary of the minimum future rentals for all leases with annual rents of under \$100,000 or duration of 12 months or less at December 31, 2023 (in thousands of dollars):

	<u>Rental</u>
2024	\$ 1,822
2025	1,775
2026	1,719
2027	1,679
2028	1,677
Later Years	<u>32,738</u>
Total Minimum Future Rental Income	<u><u>\$ 41,410</u></u>

## 15. Tax Abatements

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. In compliance with Governmental Accounting Standards Board (GASB) Statement 77, the District is required to disclose tax abatements resulting not only from agreements entered into by the District, but also agreements entered into by other governments that reduce the District's tax revenue.

Cook County grants special assessments for the development or redevelopment of commercial and industrial properties. The special assessments are categorized into four classes, as follows:

Class 6b is designed to encourage industrial development throughout Cook County by offering a real estate tax incentive for the development of new industrial facilities, the rehabilitation of existing industrial structures, and the industrial reutilization of abandoned buildings.

Class 7 is designed to encourage commercial projects in areas determined to be in need of commercial development. These projects would not be economically feasible without the incentive.

Class 8 is designed to encourage industrial and commercial development in areas of the county which are experiencing severe economic stagnation.

Class 9 is designed to encourage new development, rehabilitation and long-term preservation of affordable multi-family rental housing throughout Cook County.

Properties categorized in one of these classes receive a real estate tax incentive as a reduction in the assessment rate. The total estimated impact of these incentives to the District is approximately \$18,160,000 in reduced property taxes.

**APPENDIX B**

**CAPITAL IMPROVEMENTS PROGRAM**

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## APPENDIX B

### CAPITAL IMPROVEMENTS PROGRAM

#### OVERVIEW

The District currently serves the City of Chicago and 128 other municipalities encompassing an area of approximately 882.1 square miles. In carrying out its responsibilities, the District collects and treats wastewater from a population equivalent of about 12.72 million people; this includes domestic wastewater from approximately 5.19 million people, a commercial and industrial equivalent of approximately 5.29 million people, and a combined sewer overflow equivalent of approximately 2.24 million people. Its operating facilities are estimated to have a present-day replacement cost of \$45.1 billion.

Treated wastewater, along with runoff from rainfall, enters the rivers and streams of the Cook County area, waterways that serve as headwaters of the Illinois waterway system. Stringent water quality standards imposed by the Federal and State governments require that wastewater treatment result in unpolluted streams for the residents of Cook, DuPage, and Will Counties, and of other downstream communities. Each of the District's Water Reclamation Plants (WRPs) operates under a National Pollutant Discharge Elimination System (NPDES) permit issued by the IEPA. All of the District's WRPs are currently in compliance with their NPDES permit. In order to maintain compliance, the District's facilities are continuously rehabilitated and upgraded to provide cost effective collection and treatment.

The District's Capital Improvements Program consists of those projects identified as necessary to assure safe and uninterrupted operation of its facilities, meet existing and new statutory and regulatory requirements, and increase efficiency through facility upgrades and modernization. The District anticipates constructing its Capital Improvements Program projects with funding from the Illinois EPA State Revolving Fund, the Army Corps of Engineers, Stormwater Management Fund tax levy collections, and the District's bonding authority. A description of the major elements in the Capital Improvements Program follows, together with the estimated cost of projects identified to date (based upon current price levels).

#### COLLECTION SYSTEM

In order to collect wastewater from local sewer systems for conveyance to its WRPs, the District has constructed 23 pumping stations and 560 miles of intercepting sewers and force mains ranging in size from 6 inches to 27 feet in diameter.

The District utilizes the Collection Asset Management Plan (CAMP) to assess collection infrastructure needs. The plan includes complete adoption of industry-wide inspection standards published by the National Association of Sewer Service Companies, implementation of additional and more efficient inspection technologies, and the prioritization of sewer inspection and rehabilitation based on a risk register tailored to the District's infrastructure.

Within the next five years, award of construction projects with a cost of approximately \$155.3 million is currently anticipated for collection system improvements.

## WATER RECLAMATION PLANT EXPANSIONS AND SYSTEM IMPROVEMENTS

The District has a total secondary treatment capacity of approximately 2 billion gallons per day. The Capital Improvements Program includes projects for enhancements at all of the District's WRPs. Typically, studies are conducted to determine future needs when facilities are operating near or at capacity, or when new facilities are anticipated to be required as a result of pending regulations. Award of construction projects with a cost of approximately \$568.8 million is currently anticipated for WRP upgrades, within the next five years. This figure includes several projects at the Stickney, Calumet, and O'Brien WRPs that have already been identified and added to the program as a result of the ongoing studies. Some major initiatives are highlighted below.

The Engineering Department, working with the Maintenance & Operations and Monitoring & Research Departments, has modified the existing biological processes to enhance phosphorus uptake in order to meet recently effective NPDES phosphorus effluent limits at the Stickney WRP. Also, a contract to test side stream enhanced biological phosphorus removal (S2EBPR) in one aeration battery at the Calumet WRP has been completed. This process uses return activated sludge (RAS) fermentation for a portion of the RAS and reintroduces the fermented RAS back into the aeration battery. This will allow the District to quantify the maximum potential of the existing carbon sources to fully utilize existing infrastructure to maximize biological phosphorus removal.

A full scale S2EBPR is under construction for one battery at the O'Brien WRP and is scheduled for completion in 2025. An additional aeration battery for the O'Brien WRP is planned to further maximize the biological removal of phosphorus, the more sustainable approach to phosphorus removal. To ensure permit compliance, chemical addition projects are nearing completion at the Stickney and Calumet WRPs, and design is being completed for chemical addition at the O'Brien WRP.

## BIOSOLIDS MANAGEMENT

Improved wastewater treatment and greater plant efficiency can potentially result in the District's collection of increased quantities of biosolids. The effective handling of biosolids is a major program of the District. Projects have been identified to improve biosolids management and have been incorporated in the Capital Improvements Program. Within the next five years, award of construction projects with a cost of approximately \$115.4 million is currently anticipated for biosolids management improvements.

## TUNNEL AND RESERVOIR PLAN (TARP)

The District's Board of Commissioners adopted the Tunnel and Reservoir Plan (TARP) in 1972 as a comprehensive pollution and flood control program for its 360-square-mile combined sewer area. This area includes part or all of 52 communities including the City of Chicago. The primary goals of TARP are as follows: protect Lake Michigan – the area's primary source of drinking water – from polluted backflows; clean up the area's waterways; and provide an outlet for floodwaters in order to reduce basement sewage flooding. TARP was adopted after years of studies conducted through the Flood Control Coordinating Committee (FCCC). The members of the FCCC represented the State of Illinois, Cook County, the City of Chicago, and the District.



Prior to the startup of TARP, combined sewer overflow (CSO, a mix of raw sewage and stormwater runoff) discharged to the waterways approximately 100 times a year. During periods of heavy rain, the pollution effect of the CSO was equivalent to a polluted wastewater load from a population of about 4.5 million people. The discharge exceeded the capacity of local sewers and waterways and resulted in basement and street flooding in the area and, during the heaviest rains, backflows to Lake Michigan.

The TARP Tunnel System is comprised of the Upper Des Plaines, Des Plaines, Mainstream, and Calumet tunnel systems, and the Mainstream and Calumet TARP pumping stations. The TARP tunnel system eliminates about 85% of the pollution load attributable to CSOs by capturing and storing the most polluted fractions until they can be treated in the District's WRPs.

Three reservoirs will provide storage for additional sewage and stormwater runoff flows captured by the TARP tunnel system. The three Chicago Underflow Plan reservoirs – Gloria Alitto Majewski, Thornton, and McCook – will provide 15.2 billion gallons of flood control storage when completed. The Majewski Reservoir was completed in 1998. The Thornton Reservoir, which has a capacity of 7.9 billion gallons, became operational on November 25, 2015. Stage 1 of the McCook Reservoir became operational in December 2017, providing the initial 3.5 billion gallons of capacity, with another 6.5 billion gallons planned to be completed in 2029 as part of Stage 2. The combined total cost for all three reservoirs is estimated at \$1.5 billion, with the Corps and the District providing approximately \$560 million and \$995 million, respectively. Continuing design and construction projects with a cost to the District of approximately \$127.7 million is currently anticipated for TARP construction over the next five years.

## STORMWATER MANAGEMENT

The District undertakes regional and local stormwater management projects under its Stormwater Management Program. Regional flood control and streambank stabilization projects were identified under Detailed Watershed Plans (DWPs) completed in 2010. These projects address regional waterway overbank flooding and streambank erosion concerns. Projects given the highest priority for implementation are streambank stabilization projects which address streambank erosion posing an imminent threat to public safety and/or structures. Flood control projects address regional flooding issues through traditional measures, such as stormwater detention reservoirs, levees, and conveyance improvements. Design and construction of many DWP projects approved by the Board of Commissioners have been completed with others ongoing, including the Addison Reservoir and the Addison Creek Channel Improvements projects.

In 2014, the State Legislature expanded the authorities of the District's stormwater management legislation to allow the District to assist in addressing local drainage and flooding problems and to acquire flood-prone property from property owners on a voluntary basis. These legislative changes form the basis of the District's Stormwater Partnership Program. Through this partnership program, the District provides assistance in the form of funding, engineering, or other assistance to be defined through negotiations between the District and the involved entities. Since 2014, the District has solicited applications from local communities and other governmental organizations for Local Stormwater and Flood-Prone Property Acquisition (FPPA) projects, and has assisted numerous municipalities and townships in addressing flooding throughout Cook

County. These partnerships allow the District to leverage funding and other resources to alleviate flooding beyond what could be accomplished alone.

For circumstances where a flood control project is not feasible, the District has developed a Flood-Prone Property Acquisition Program (FPPA), and since 2015 has partnered with several municipalities and the Cook County Land Bank Authority to acquire flood-prone properties, remove the structures on the acquired properties, and place deed restrictions requiring the properties to remain as open space into perpetuity. The municipalities own the acquired properties and perform all required maintenance. Since program inception, 20 FPPA projects have resulted in the purchase of 177 properties.

The District established a Green Infrastructure Partnership Program (GIPP) in 2014 seeking to increase the acceptance and investment of green infrastructure throughout Cook County through numerous partnerships. The GIPP focuses on engineered systems that capture and manage precipitation where it falls rather than it traveling through conventional stormwater systems. By addressing the increase of impervious area due to land development, green infrastructure can reduce combined sewer discharges, localized flooding, and other stormwater impacts, including basement backups. Green infrastructure includes natural systems which use vegetation such as bioswales and rain gardens to manage rainfall. Green infrastructure also includes manufactured solutions such as rain barrels, permeable pavement, and rainwater harvesting. In 2014, the District partnered with the Chicago Public Schools (CPS) and the Chicago Department of Water Management (CDWM) to incorporate green infrastructure at four elementary schools under a program known as *Space to Grow*. The projects serve to educate the public on the importance of stormwater management and the multiple benefits of green infrastructure. The success of this initial project led the District, CPS, and CDWM to partner on 30 additional schools that were completed by 2022. In 2024, the District entered into a new agreement with CPS to construct additional *Space to Grow* projects through 2026. The District is also pursuing a Suburban Green Schoolyard pilot program, with four schools located throughout the county to be advanced upon identification of additional funding.

In 2017, the District introduced the first annual GIPP Call for Projects to scale its investment into green infrastructure. The program seeks to partner with local communities and public agencies throughout Cook County to fund and build green infrastructure projects. Projects are prioritized on their ability to capture and store water (measured as design retention capacity) and reduce flood risk amongst other criteria. The District and a partnering agency execute an intergovernmental agreement to facilitate the project, with long-term maintenance responsibilities assigned to the partnering agency. Since 2017, over 100 projects were selected for green infrastructure partnerships.

The program in its entirety includes 259 projects that benefit over 18,800 structures and has created over 1,472 acre-foot of stormwater storage. Presently, the capital cost for the Phase I, Phase II, Flood-Prone Property Acquisitions and Green Infrastructure projects over the next five years is estimated to be \$141.6 million of which \$17.0 million will be funded by grants and the remaining \$124.6 million by the Stormwater Management Levy.

MWRD staff pursues grant funding for stormwater management projects and has received \$11 million from the Department of Housing and Urban Development in Community Block Development Disaster Response funding, \$10.5 million from FEMA through the Building Resilient Infrastructure and Communities and Hazard Mitigation Grant programs, \$18 million from Cook County through the American Rescue Plan, and \$2.5 million from the Illinois Environmental Protection Agency through the Section 319(h) Grant Program and the Wastewater Treatment Plant Energy Efficiency Grant Program. Two grant awards from FEMA for the Building Resilient Infrastructure and Communities Grant are currently under environmental review for an additional \$18.5 million.

REPLACEMENT OF FACILITIES

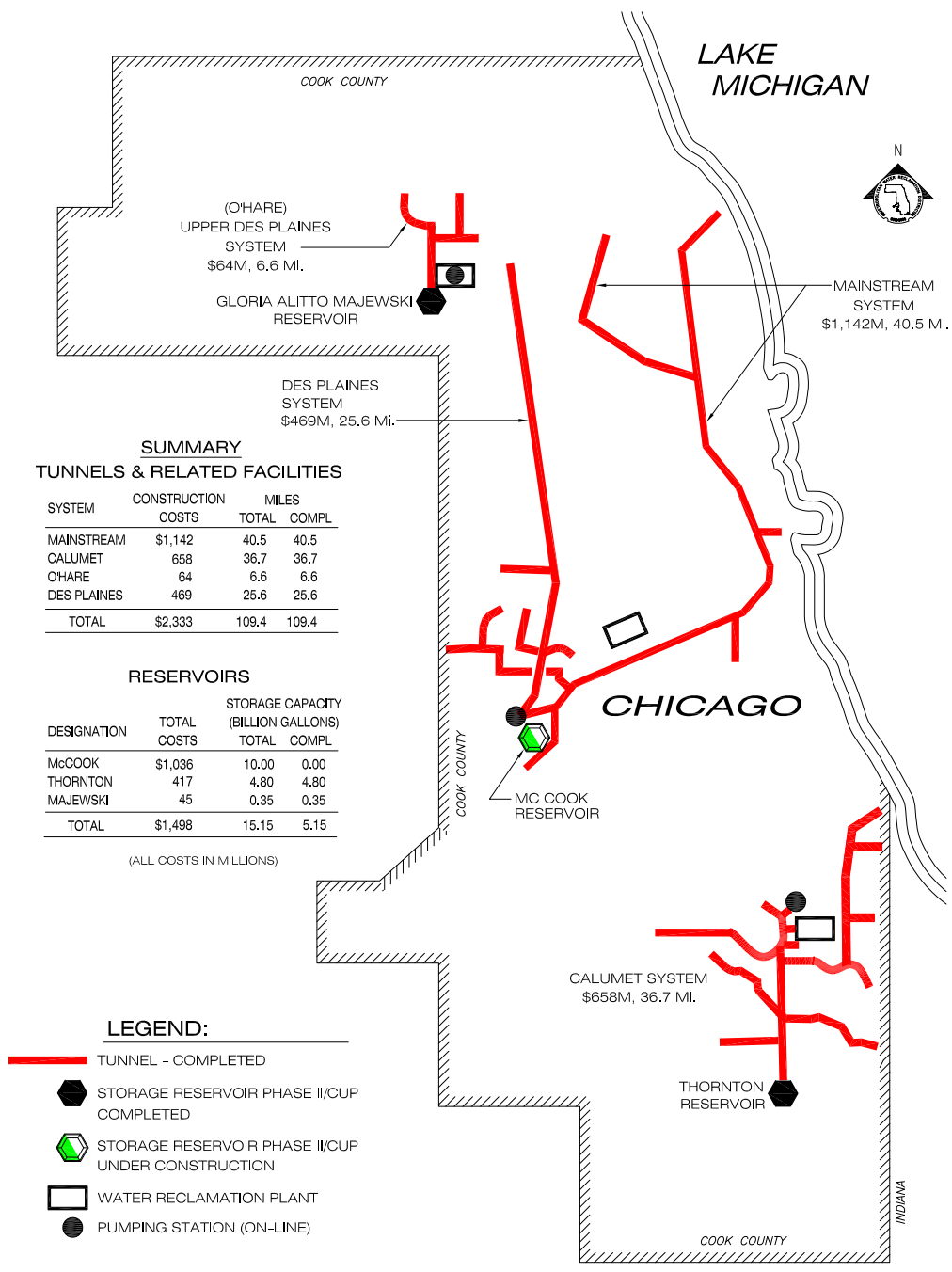
Many of the District’s plants and interceptors were placed in service over 50 years ago. In order to maintain continuous operations, the District has maintained a capital improvement plan to replace physically deteriorating facilities through major rehabilitation, alteration, or expansion. Costs for all projects identified for replacement facilities are approximately \$300.4 million over the next five years.

MEANS OF FINANCING

While MWRD has been extremely successful seeking grant funding to assist with stormwater remediation projects, most of the funding of the District’s planned improvements of its plants and continued construction of TARP facilities is expected to be accomplished through State Revolving Fund (SRF) Loans and the issuance of bonds by the District. The District funding needed to complete the components of the Capital Improvements Program being funded over the course of the next five years is approximately \$1,409.2 million.

CAPITAL IMPROVEMENTS PROGRAM OVER THE NEXT FIVE-YEAR PERIOD	DISTRICT BONDS* (MILLIONS)
Intercepting Sewers	\$155.3
Water Reclamation Plant Expansions & Improvements	568.8
Biosolids Management	115.4
Tunnel & Reservoir Plan CUP (District Portion)	127.7
Stormwater Management	141.6
Replacement of Facilities	300.4
TOTAL	\$1,409.2

\*Source: 2025 Budget (Executive Director’s Recommendations)



**APPENDIX C**

**PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

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## PENSION BENEFITS

### GENERAL

The District provides funding for the Metropolitan Water Reclamation District Retirement Fund (the “*Retirement Fund*”), which is established by and administered under Article 1 and Article 13 of the Illinois Pension Code (the “*Pension Code*”). At the direction of the Retirement Fund Board of Trustees (the “*Retirement Board*”), the Retirement Fund’s mission is to provide earned benefits to the Retirement Fund membership with excellent customer service and to preserve the fiscal integrity and financial stability of the Retirement Fund.

The Retirement Fund is governed by the seven-member Retirement Board. The Retirement Board is composed of four member-elected trustees and three appointed trustees, one of whom is a retiree. The Retirement Board is authorized by the Pension Code to make investments, receive required contributions, pay benefits, hire staff and consultants, and perform all functions necessary for the operation of the Retirement Fund. The Pension Code may be amended only by the Illinois General Assembly.

As of December 31, 2023, the end of the Retirement Fund’s most recent fiscal year, the Retirement Fund had a total membership of 4,384, consisting of 1,771 active employees, 2,485 retirees and beneficiaries currently receiving benefits, and 128 inactive employees entitled to benefits or a refund of contributions.

The Retirement Fund is a single-employer, defined benefit public employee retirement system. “Single-employer” refers to the fact that there is a single plan sponsor, in this case, the District. “Defined benefit” refers to the fact that the Retirement Fund pays an earned, periodic benefit to retired employees and survivors in an amount determined at the time of retirement. The amount of the benefit is determined pursuant to a statutory formula based on the employee’s service credits and salary. Eligible retired employees receive the defined benefit with certain benefits to eligible spouses and children that survive the death of the employee.

To fund the benefits to be paid by the Retirement Fund, both employees and the District make contributions to the Retirement Fund. Employees contribute a fixed percentage of their annual salary and the District contributes the higher of the amount derived from the Pension Code or the District’s Funding Policy adopted in October 2014. See “DETERMINATION OF EMPLOYER CONTRIBUTIONS.”

Beginning in 2015, District employees in service prior to January 1, 2011 (Tier 1), contribute 12.0% of their salary to the Retirement Fund. District employees in service after January 1, 2011 (Tier 2), contribute 9.0% of their salary to the Retirement Fund.

Section 5 of Article XIII of the Illinois Constitution provides that “[m]embership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.” The eligible benefits accrue throughout the time a member is employed by the District or by the Retirement Fund. Although benefits accrue during

employment, certain age and service requirements must be achieved for an employee to be eligible for a defined benefit payment upon retirement from the District.

The Retirement Board manages the investments of the Retirement Fund. The Retirement Fund’s investment authority is established by and subject to the provisions of the Pension Code. The Retirement Board invests the Retirement Fund’s assets in accordance with a “prudent person” rule and the Retirement Fund’s formal investment policy, which requires members of the Retirement Board, as fiduciaries, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation. In carrying out this duty, the Retirement Board, with the assistance of their investment consultant and staff, appoints and monitors investment managers to manage the investment assets of the Retirement Fund. Such investment managers, acting as fiduciaries, are granted discretionary authority to manage the Retirement Fund’s assets in accordance with the investment guidelines of their mandate. Additional information regarding Retirement Fund investments may be found on the Retirement Fund’s website at [www.mwrdrf.org](http://www.mwrdrf.org), but the content of such website is not incorporated into this Official Statement by reference. See also “EXHIBIT A — Report of the Consulting Actuary on the District Retirement Fund” to this Appendix (the “Actuary’s Report”). Table 1 provides information on the investment returns experienced by the Retirement Fund for the period 2014 through 2023.

**TABLE 1 – INVESTMENT RATES OF RETURN, 2014-2023**

<u>YEAR</u>	<u>INVESTMENT RETURN*</u>
2014	6.7%
2015	-0.2%
2016	9.5%
2017	15.6%
2018	-7.5%
2019	18.3%
2020	9.2%
2021	15.2%
2022	-14.4%
2023	13.0%
5-YR. ANNUAL RETURN	7.6%
10-YR ANNUAL RETURN	6.0%

Source: The Retirement Fund.

\* Time-weighted rates of return net of investment expense.

#### DETERMINATION OF EMPLOYER CONTRIBUTIONS

Under the Pension Code, the District’s contributions to fund the Retirement Fund are determined pursuant to an annual statutory formula (the “*Pension Levy*”). The District’s contributions to the Retirement Fund are generated primarily through the levy and collection of the Pension Levy. Beginning in fiscal year 2013, the Pension Code requires that the District annually levy the Pension Levy at the rate which, when extended, will produce a sum that will (i)



be sufficient to meet the Actuarially Determined Contribution Requirement, but (ii) not exceed an amount equal (the “*Contribution Limitation*”) to the total employee contributions two years prior multiplied by 4.19 (the “*Multiplier*”). The “Actuarially Determined Contribution Requirement” or “ADC” is the amount equal to the District’s Normal Cost (as hereinafter defined) plus the annual amount necessary to amortize the unfunded liability of the Retirement Fund to a Funded Ratio (as hereinafter defined) of 100% by the year 2050 as a level percent of payroll.

On October 2, 2014, the District Board of Commissioners approved a funding policy (the “*Funding Policy*”) with a goal to contribute annually to the Retirement Fund an amount that, over time, will increase the Funded Ratio of the Retirement Fund to 100% by the year 2050. The Funding Policy, which was developed by the District in conjunction with the Retirement Fund, was designed to better provide for the long-term financial health of the Retirement Fund while balancing the interests of employees, retirees, taxpayers and the District. The Funding Policy establishes maximum contribution amounts equal to the maximum contribution allowed by the Pension Code and minimum contribution levels that are intended to exceed the minimum contribution required by the Pension Code. The following chart shows an example projection for the next 10 years of the minimum District contributions required by the Pension Code, the minimum District contributions described in the Funding Policy, and the maximum District contributions described in the Funding Policy for each year.

**TABLE 2 – PROJECTION OF EMPLOYER CONTRIBUTION UNDER DISTRICT’S FUNDING POLICY**

YEAR	(\$ in Millions)				
	MINIMUM CONTRIBUTION AMOUNT UNDER PENSION CODE <sup>(1)</sup>	ACTUARIALLY DETERMINED CONTRIBUTION <sup>(2)</sup>	CONTRIBUTION UNDER DISTRICT FUNDING POLICY	CONTRIBUTION IN EXCESS OF ADC	PERCENTAGE OF ADC FUNDED
2024	\$88.70	\$94.40	\$136.40	\$42.00	144.50%
2025	\$90.80	\$96.90	\$126.90	\$30.00	131.00%
2026	\$92.10	\$99.90	\$99.90	\$0.00	100.00%
2027	\$92.50	\$106.40	\$106.40	\$0.00	100.00%
2028	\$93.10	\$108.40	\$108.40	\$0.00	100.00%
2029	\$93.60	\$111.20	\$111.20	\$0.00	100.00%
2030	\$93.90	\$114.20	\$114.20	\$0.00	100.00%
2031	\$94.20	\$117.30	\$117.30	\$0.00	100.00%
2032	\$94.50	\$120.60	\$120.60	\$0.00	100.00%
2033	\$94.90	\$124.00	\$124.00	\$0.00	100.00%
<b>Total</b>					

Source: Foster & Foster, Naperville, Illinois. Foster & Foster serves as consulting actuary to the Retirement Fund. These projections are based on the legislative structure in place as of the date of this Official Statement and assume no changes to such legislative structure.

- (1) Minimum Contribution amount is based on the 90% funding target per the Illinois Pension Code.
- (2) Actuarially Determined Contribution amount is based on the Funding Policy target of a 100% funded ratio by 2050.

The projections shown in the chart above are based upon numerous variables that are subject to change and are forward-looking statements regarding future events. No assurance can be given that these assumptions underlying such projections will be realized or that actual events will not cause material changes to the projections shown.

## THE ACTUARIAL VALUATION

### General

The actuary for the Retirement Fund annually produces a report, called the “*Actuarial Valuation*,” which (i) determines the amount to be contributed by the District to the Retirement Fund pursuant to the Pension Code and the District’s Funding Policy, (ii) measures the financial position of the Retirement Fund, and (iii) discloses certain information mandated by the financial reporting standards issued by the Governmental Accounting Standards Board (“*GASB*”), as described below. In the Actuarial Valuation, the Retirement Fund’s actuary employs demographic data (such as employee age, salary and service credits), economic assumptions (such as estimated salary and interest rates), and decrement assumptions (such as employee turnover, mortality and retirement rates) to produce the information required by the GASB Standards. The Retirement Fund Actuarial Valuations are publicly available and may be obtained from the Retirement Fund, and more recent Actuarial Valuations are available on the Retirement Fund’s website, [www.mwrdrf.org](http://www.mwrdrf.org); provided, however, that the content of these reports and such website is not incorporated by reference herein.

### GASB Standards

For the Retirement Fund’s fiscal years prior to and including the fiscal year ended December 31, 2013, the applicable GASB financial reporting standards were GASB Statement No. 25 (“*GASB 25*”) and GASB Statement No. 27 (“*GASB 27*” and, together with GASB 25, the “Prior GASB Standards”). The Prior GASB Standards required the determination of an “Annual Required Contribution” (referred to herein as the “*Actuarially Required Contribution*”) which was such pronouncement’s method for calculating the annual amounts needed to fully fund the Retirement Fund, though the Actuarially Required Contribution was a financial reporting requirement and not a funding requirement, and the calculation of pension funding statistics such as the UAAL, the Funded Ratio and the Net Pension Obligation or Asset. The Prior GASB Standards also provided for variety in the actuarial methods that could be used to make calculations in Actuarial Valuations.

The Actuarially Required Contribution consisted of (1) the Normal Cost, the same being the portion of the present value of pension plan benefits allocated to the valuation year by the actuarial cost method, and (2) an amortized portion of any UAAL.

Pursuant to the Prior GASB Standards, the “*Actuarial Accrued Liability*,” or the actuary’s calculation of the present value of the benefits owed to members of the Retirement Fund, was calculated using an actuarial cost method and the demographic data, economic assumptions and decrement assumptions discussed under “—General” above. The “Actuarial Value of Assets” reflected the value of the investments and other assets held by the Retirement Fund. Various methods existed under the Prior GASB Standards for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Fund’s Actuarial Accrued Liability and Actuarial Value of Assets under GASB 25, see “—Actuarial Methods” and “—Actuarial Assumptions” below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability was referred to as the “Unfunded Actuarial Accrued Liability” or “UAAL.” The UAAL represented the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary computed the “Funded Ratio,” which was the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan. An increasing UAAL or a decreasing Funded Ratio from year to year signaled a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing UAAL or an increasing Funded Ratio indicated an improvement in the financial health of a pension plan because such a change reflects the closing of the gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due.

Beginning with the fiscal year ended December 31, 2014, GASB 25 was replaced with GASB Statement No. 67 (“GASB 67”), and GASB 27 was replaced with GASB Statement No. 68 beginning with the fiscal year ending December 31, 2015 (“GASB 68” and, together with GASB 67, the “New GASB Standards”). Whereas the Prior GASB Standards established standards related to the funding of pension plans, the New GASB Standards provide standards related solely to financial reporting and accounting. The statistics calculated pursuant to the New GASB Standards differ from those required by the Prior GASB Standards. Specifically, the New GASB Standards require calculation and disclosure of a “Net Pension Liability,” which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the “Total Pension Liability”) and the fair market value of the pension plan’s assets (referred to as the “Fiduciary Net Position”). These concepts are related to, but differ in some respects, from the concepts of Actuarial Accrued Liability, Actuarial Value of Assets, and UAAL as set forth under the Prior GASB Standards. The differences between the Prior GASB Standards statistics and the New GASB Standards generally exist (i) because the Fiduciary Net Position is calculated at fair market value (as opposed to the Asset Smoothing Method) and (ii) because of the differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards.

In addition, the New GASB Standards use a “Discount Rate” in calculating the Total Pension Liability which may differ from the investment rate of return used in calculating the Actuarial Accrued Liability under the Prior GASB Standards. The Discount Rate, which is used to discount projected benefit payments to their actuarial present values, may be a blended rate comprised of (1) a long-term expected rate of return on the Retirement Fund’s investments (to the extent that such assets are projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate meeting certain specifications set forth in the New GASB Standards. Therefore, in certain cases in which the assets of the Retirement Fund are not expected to be sufficient to pay the projected benefits of such Retirement Fund, the Discount Rate calculated pursuant to the New GASB Standards may differ from the assumed investment rate of return used in reporting pursuant to the Prior GASB Standards.

Finally, the New GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the Retirement Fund and that a proportionate share of the Net Pension Liability be recognized on the balance sheet of the District (beginning with the fiscal

year ended December 31, 2015. In addition, the New GASB Standards require an expense (the “Pension Expense”) to be recognized on the District’s income statement. The recognition of the Net Pension Liability and the Pension Expense do not measure the manner in which the Retirement Fund is funded and therefore do not conflict with the funding methods established pursuant to the Pension Code for the Retirement Fund.

Because the District contributes to the Retirement Fund in accordance with the Pension Code and the District’s Funding Policy, and not in accordance with the GASB Standards, the GASB Standards will not impact the contributions made by the District without legislative action.

### **Actuarial Methods**

The Retirement Fund’s actuary employs a variety of actuarial methods to arrive at the pension reporting statistics required by the GASB Standards. Certain of these methods are discussed in the following sections.

#### *Actuarial Value of Assets*

Under the applicable provisions of the Pension Code, the Actuarial Value of Assets is calculated by recognizing investment gains and losses on such assets equally over a five-year period. This method of valuation is called the “Asset Smoothing Method.” Under the Asset Smoothing Method, the Retirement Fund will recognize in the current year 20% of the investment gain or loss realized in each of the previous four years. The goal of the Asset Smoothing Method is to prevent extreme fluctuations in the Actuarial Value of Assets, the UAAL and the Funded Ratio that may otherwise occur because of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the actual value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

Under GASB Standards, the Fiduciary Net Position is equal to the fair market value of a pension plan’s assets as of the date of determination. As such, the Asset Smoothing Method does not apply to the determination of the Fiduciary Net Position under the GASB Standards.

Table 3 provides a comparison of the Retirement Fund’s assets on a fair value basis and after application of the Asset Smoothing Method.

**TABLE 3 – ASSET SMOOTHED VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS<sup>(1)</sup>**

<b>FISCAL YEAR</b>	<b>ACTUARIAL VALUE OF ASSETS</b>	<b>FAIR VALUE OF NET ASSETS</b>	<b>ACTUARIAL VALUE AS A PERCENTAGE OF FAIR VALUE</b>
2014	\$1,263,287	\$1,337,796	94.43%
2015	1,307,982	1,286,653	101.66%
2016	1,372,362	1,352,598	101.46%
2017	1,456,196	1,501,794	96.96%
2018	1,470,309	1,343,994	109.40%
2019	1,489,266	1,506,834	98.83%
2020	1,556,056	1,580,890	98.43%
2021	1,617,810	1,724,180	93.83%
2022	1,624,082	1,437,656	112.97%
2023	1,658,671	1,546,580	107.25%

Source: The Retirement Fund.

(1) In thousands of dollars.

### *Actuarial Accrued Liability*

To develop the Actuarial Accrued Liability under the Pension Code and the Total Pension Liability under the GASB Standards, the actuary applies an actuarial cost method to allocate the total value of benefits to past, present, and future periods of employee service. The Retirement Fund uses the entry age normal actuarial cost method (the “Entry Age Normal Method”) with costs allocated based on earnings. The Entry Age Normal Method is the only allowable actuarial cost method under the New GASB Standards.

Under the Entry Age Normal Method, the present value of the projected pension of each member is assumed to be funded by annual installments, equal to a level percent of the member’s earnings for each year between entry age and assumed exit age. The Normal Cost, as calculated under the Pension Code, for the member for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the “Normal Cost” for the fund for the year is the sum of the normal costs of all active members.

The Actuarial Accrued Liability, under the Pension Code, and the Total Pension Liability, under the GASB Standards, is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date or, in other words, for past service. This value changes as the member’s salary and years of service change, and as some members leave and are replaced by new members. Future normal cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

### **Actuarial Assumptions**

The Retirement Fund’s actuaries use a variety of assumptions to make the calculations required by the Pension Code, and GASB Standards. The assumptions used by the Retirement Fund are based on the experience study of the Retirement Fund conducted in December 2023 and were formally adopted by the Retirement Board upon recommendation by the Retirement Fund’s actuary effective December 31, 2023. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement

Fund. Variances between the assumptions and actual results may cause increases or decreases in the statistics calculated pursuant to the Prior GASB Standards or the New GASB Standards.

Additional information on the Retirement Fund's actuarial assumptions is available in the Retirement Fund's Actuarial Valuation. Certain of the Retirement Fund's actuarial assumptions in the current year's Actuarial Valuation are as follows:

- Mortality Rates Healthy and Disabled Lives - RP-2010 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA), with female rates are adjusted by a factor of 1.061 and male rates are adjusted by a factor of 1.067;
- Salary increases were assumed to be between 3.50% and 7.50% per year based on years of service;
- The investment rate of return was assumed to be 7.00% per year compounded annually;
- 76% of participants were assumed to be married; and
- Spouses of male employees were assumed to be three years younger than the employee and spouses of female employees were assumed to be three years older than the employee.

#### FUNDED STATUS OF THE RETIREMENT FUND

The Pension Code requires that the District fund the Retirement Fund through the levy, collection and contribution of the Pension Levy.

In each year, the District has contributed to the Retirement Fund in accordance with the requirements of the Pension Code and the District's Funding Policy. With the District making the maximum contribution, the Retirement Fund's Funded Ratio (calculated based on actuarial value) has grown to 55.5% from 55.0% ten years ago. The amount of the UAAL is in large part due to the Contribution Limitation in the provisions of the Pension Code prior to 2013, which limited the Pension Levy to an amount insufficient to fully fund the Retirement Fund to the amount of the Actuarially Determined Contribution. Higher Funded Ratios are attributed to the District's Funding Policy and strong investment returns achieved by the Retirement Board less the impact of changes to the actuarial assumptions.

Table 4 provides information on the Actuarially Determined Contribution, the District's actual contributions in accordance with the Pension Code and the District's Funding Policy, the percentage of the Actuarially Determined Contribution made in each year and the Multiplier that would have been necessary in each year to contribute the Actuarially Determined Contribution.

**TABLE 4 – HISTORY OF CONTRIBUTIONS<sup>(1)</sup>**

<b>FISCAL YEAR</b>	<b>ACTUARIALLY DETERMINED CONTRIBUTION<sup>(2)</sup></b>	<b>ACTUAL EMPLOYER CONTRIBUTION<sup>(3)</sup></b>	<b>PERCENTAGE OF ACTUARIALLY DETERMINED CONTRIBUTION CONTRIBUTED</b>	<b>ESTIMATED MULTIPLIER NECESSARY TO MATCH ACTUARIALLY DETERMINED CONTRIBUTION<sup>(3)(4)</sup></b>
2014	\$69,924	\$73,906	105.69%	4.75
2015	62,604	71,041	113.48%	3.71
2016	64,596	80,260	124.25%	3.40
2017	65,728	89,858	136.71%	3.07
2018	64,989	87,167	134.13%	3.12
2019	74,280	87,446	117.73%	3.56
2020	77,392	107,852	139.36%	3.68
2021	76,841	88,804	115.57%	3.63
2022	76,680	118,459	154.48%	3.65
2023	81,128	117,373	144.68%	3.93

Sources: The Retirement Fund.

- (1) In thousands of dollars.
- (2) For fiscal years prior to 2015, the Actuarially Determined Contribution amounts are the Actuarially Required Contribution amounts determined according to prior GASB Standards. For fiscal years 2015-2023 the Actuarially Determined Contribution amount is the actuarially determined amount according to the Funding Policy.
- (3) In 2014, 2020, 2022, and 2023, the Fund received from the District special contributions from interest on District moneys of \$12.0 million, \$20.0 million, \$30.0 million, and \$30.0 million, respectively. These contributions reduced the tax multiple needed to fully fund the ARC from 4.75 to 3.94 in 2014, from 3.68 to 2.73 in 2020, from 3.65 to 2.69 in 2022, and from 3.93 to 2.48 in 2023.
- (4) Please see “RETIREMENT FUND — Determination of Employer Contributions” for information regarding the statutory limits on the multiplier.

As of the end of fiscal year 2023, the Retirement Fund had an UAAL of approximately \$1,331 million on an actuarial basis (using the Asset Smoothing Method) and \$1,443 million on a fair value basis. The respective Funded Ratios are 55.5% and 51.7%.

Under the Act, if authorized by a two-thirds vote of the Board, the District may transfer interest on any moneys into the Retirement Fund. Pursuant to an amendment to the Act effective January 1, 2022, if authorized by a two-thirds vote of the Board, the District may also transfer into the Retirement Fund revenue from any lawfully available source. The District’s 2024 Budget authorized a District employer contribution of \$129.2 million. This represented 137% of the actuarially determined contribution of \$94.4 million.

The Executive Director’s recommendations for the 2025 Budget propose a District employer contribution of \$118.7 million. No assurance can be given that the final 2025 Budget approved by the Board will authorize the contribution amount contained in the Executive Director’s recommendations.

The tables on the following pages summarize the current financial condition and the funding progress of the Retirement Fund.

**TABLE 5 – FINANCIAL CONDITION OF THE RETIREMENT FUND**  
**FISCAL YEARS 2014-2023**  
**(\$ IN THOUSANDS)**

FISCAL YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Beginning Net Assets (Fair Value)	\$1,298,614	\$1,337,796	\$1,286,653	\$1,352,598	\$1,501,794	\$1,343,994	\$1,506,834	\$1,580,890	\$1,724,179	\$1,437,656
Income										
- Employee Contributions	18,975	21,385	20,831	20,840	21,033	21,182	20,982	20,630	21,178	21,665
- Employer Contributions	73,906	71,041	80,260	89,858	87,167	87,447	107,852	88,804	118,459	117,373
- Investment Income <sup>(1)</sup>	81,600	(1,428)	113,152	194,476	(103,313)	224,905	123,900	220,681	(232,527)	169,866
- Miscellaneous Income <sup>(2)</sup>	5	29	541	349	322	257	202	101	85	103
Total	\$174,486	\$91,027	\$214,784	\$305,523	\$5,209	\$333,791	\$252,936	\$330,216	\$(92,805)	\$309,007
Expenditures										
- Benefits	132,914	139,161	145,325	152,153	159,561	167,481	174,996	182,857	189,344	195,247
- Refunds	984	1,349	2,011	2,560	1,762	1,828	2,291	2,281	2,239	1,883
- Administration	1,407	1,660	1,503	1,614	1,685	1,642	1,593	1,788	2,135	2,953
Total	\$135,305	\$142,170	\$148,839	\$156,327	\$163,009	\$170,951	\$178,880	\$186,927	\$193,718	\$200,083
Ending Net Assets (Fair Value)	\$1,337,795	\$1,286,653	\$1,352,598	\$1,501,794	\$1,343,994	\$1,506,834	\$1,580,890	\$1,724,179	\$1,437,656	\$1,546,580
Actuarial Value of Assets <sup>(3)</sup>	\$1,263,287	\$1,307,982	\$1,372,362	\$1,456,196	\$1,470,309	\$1,489,266	\$1,556,056	\$1,617,810	\$1,624,082	\$1,658,671
Actuarial Accrued Liabilities	\$2,296,439	\$2,371,031	\$2,443,292	\$2,497,890	\$2,601,164	\$2,666,222	\$2,714,192	\$2,756,489	\$2,811,601	\$2,989,814
UAAL (Fair Value) <sup>(4)</sup>	\$958,644	\$1,084,378	\$1,090,694	\$996,096	\$1,257,170	\$1,159,388	\$1,133,302	\$1,032,310	\$1,373,945	\$1,443,234
UAAL (Actuarial Value) <sup>(3)</sup>	\$1,033,152	\$1,063,049	\$1,070,930	\$1,041,694	\$1,130,855	\$1,176,956	\$1,158,136	\$1,138,679	\$1,187,519	\$1,331,143
Funded Ratio (Fair Value) <sup>(4)</sup>	58.3%	54.3%	55.4%	60.1%	51.7%	56.5%	58.2%	62.5%	51.1%	51.7%
Funded Ratio (Actuarial Value) <sup>(3)</sup>	55.0%	55.2%	56.2%	58.3%	56.5%	55.9%	57.3%	58.7%	57.8%	55.5%

Source: The Retirement Fund (Annual Comprehensive Financial Reports of the Retirement Fund).

Table may not add up due to rounding. For additional information, see the Actuarial Valuation.

- (1) Investment income is shown net of fees and expenses.
- (2) Includes income from the Retirement Fund's securities lending program, and miscellaneous income. For more information, see Note 8 to the Financial Statements in the Annual Comprehensive Financial Report of the Retirement Fund for the fiscal year ended December 31, 2023.
- (3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods — Actuarial Value of Assets" above.
- (4) Calculated using net assets.



**TABLE 6 – SCHEDULE OF FUNDING STATUS**  
**FISCAL YEARS 2014-2023**  
**(\$ IN THOUSANDS)**  
**FISCAL**

<b>YEAR</b>	<b>ACTUARIAL ACCRUED LIABILITY</b>	<b>ACTUARIAL VALUE OF ASSETS<sup>(1)</sup></b>	<b>FAIR VALUE OF NET ASSETS</b>	<b>UAAL (ACTUARIAL)<sup>(2)</sup></b>	<b>UAAL (FAIR VALUE)<sup>(3)</sup></b>	<b>FUNDED RATIO (ACTUARIAL)<sup>(2)</sup></b>	<b>FUNDED RATIO (FAIR VALUE)<sup>(3)</sup></b>	<b>PAYROLL</b>	<b>UAAL TO PAYROLL (ACTUARIAL)<sup>(2)</sup></b>	<b>UAAL TO PAYROLL (FAIR VALUE)<sup>(3)</sup></b>
2014	\$2,296,439	\$1,263,287	\$1,337,795	\$1,033,152	\$958,644	55.0%	58.3%	\$176,184	586.4%	544.1%
2015	2,371,031	1,307,982	1,286,653	1,063,049	1,084,379	55.2%	54.3%	177,507	598.9%	610.9%
2016	2,443,292	1,372,362	1,352,598	1,070,930	1,090,694	56.2%	55.4%	182,640	586.4%	597.2%
2017	2,497,890	1,456,196	1,501,794	1,041,694	996,096	58.3%	60.1%	184,385	565.0%	540.2%
2018	2,601,164	1,470,309	1,343,994	1,130,855	1,257,170	56.5%	51.7%	187,850	602.0%	669.2%
2019	2,666,222	1,489,266	1,506,834	1,176,955	1,159,388	55.9%	56.5%	189,961	619.6%	610.3%
2020	2,714,192	1,556,056	1,580,890	1,158,136	1,133,302	57.3%	58.2%	188,073	615.8%	602.6%
2021	2,756,489	1,617,810	1,724,179	1,138,679	1,032,310	58.7%	62.5%	187,213	608.2%	551.4%
2022	2,811,601	1,624,082	1,437,656	1,187,519	1,373,945	57.8%	51.1%	195,714	606.8%	702.0%
2023	2,989,814	1,658,671	1,546,580	1,331,142	1,443,234	55.5%	51.7%	204,388	651.3%	706.1%

Source: The Annual Comprehensive Financial Reports of the Retirement Fund for the fiscal years ending December 31, 2014 through December 31, 2023, and the Actuarial Valuation of the Retirement Fund for the fiscal year ended December 31, 2023. For additional information, see the Actuary's Report.

- (1) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods — Actuarial Value of Assets" above.
- (2) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.
- (3) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the Fair Value of Net Assets.

A variety of factors impact the Retirement Fund’s UAAL and Funded Ratio. Increases in member salary and benefits, a lower return on investment than that assumed by the Fund actuary, and insufficient contributions when compared to the Normal Cost, plus interest, will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, decreases in member salary and benefits, a higher return on investment than assumed, and employer contributions in excess of Normal Cost, plus interest, will decrease the UAAL and increase the Funded Ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the UAAL and the Funded Ratio. The causes of the change in the UAAL for the fiscal years ended December 31, 2014 through December 31, 2023, are set forth in Table 7 below.

**TABLE 7 – COMPONENTS OF CHANGE IN UNFUNDED ACTUARIAL LIABILITY<sup>(1)</sup>**

FISCAL YEAR	SALARY INCREASES/ (DECREASES)	INVESTMENT RETURNS (HIGHER)/LOWER THAN ASSUMED	EMPLOYER CONTRIBUTIONS (HIGHER)/LOWER THAN NORMAL COST PLUS INTEREST	LEGISLATIVE AMENDMENTS	CHANGES IN ACTUARIAL ASSUMPTIONS/ METHODS	OTHER FACTORS	TOTAL CHANGE IN UNFUNDED LIABILITY
2014	\$(5,667)	\$(26,867)	\$16,960	-	\$32,495	\$9,823	\$26,744
2015	(3,201)	3,056	17,071	-	(4,471)	17,442	29,897
2016	(844)	(15,961)	9,554	-	-	15,131	7,880
2017	(11,576)	(27,925)	155	-	-	10,111	(29,235)
2018	(7,369)	40,260	540	-	37,439	18,290	89,160
2019	(4,517)	23,072	4,872	-	-	22,674	46,101
2020	(6,559)	(10,484)	(13,371)	-	-	11,594	(18,820)
2021	(7,730)	(29,049)	4,365	-	-	12,957	(19,457)
2022	9,908	54,659	(27,976)	-	-	12,248	48,839
2023	7,446	20,303	(22,925)	-	115,906	22,893	143,623

Source: The Retirement Fund. Totals may not add up due to rounding.  
(1) In thousands of dollars.

### Net Pension Liability and Discount Rate

GASB Standards require the calculation of the Net Pension Liability, which is the difference between the Total Pension Liability and the Fiduciary Net Position. Furthermore, the Discount Rate is the blended rate at which the Retirement Fund’s actuary discounts projected benefit payments to their actuarial present values. The following tables present information on the Net Pension Liability and the components thereof and the Discount Rate and the sensitivity of the Net Pension Liability to changes in the Discount Rate.

**TABLE 8 – NET PENSION LIABILITY**

(\$ IN THOUSANDS)

	<b>TOTAL PENSION LIABILITY</b>	<b>PLAN NET POSITION</b>	<b>NET PENSION LIABILITY</b>	<b>PLAN NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>
2014	\$2,285,096	\$1,337,796	\$ 947,300	58.54%
2015	2,359,766	1,286,653	1,073,113	54.52
2016	2,432,163	1,352,598	1,079,565	55.61
2017	2,486,868	1,501,794	985,074	60.39
2018	2,588,389	1,343,994	1,244,395	51.92
2019	2,653,769	1,506,834	1,146,935	56.78
2020	2,701,962	1,580,891	1,121,071	58.51
2021	2,744,359	1,724,180	1,020,179	62.83
2022	2,799,299	1,437,656	1,361,643	51.36
2023	2,979,019	1,546,580	1,432,439	51.92

Source: The Actuarial Valuation of the Retirement Fund for the fiscal year ended December 31, 2023.

**TABLE 9 – SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

	<b>1% DECREASE</b>	<b>CURRENT</b>	<b>1% INCREASE</b>
2014			
Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$1,217,729,913	\$947,299,960	\$720,078,909
2015			
Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$1,349,610,381	\$1,073,112,829	\$840,620,797
2016			
Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$1,361,928,929	\$1,079,565,058	\$841,925,382
2017			
Discount Rate	6.50%	7.50%	8.50%
Net Pension Liability	\$1,269,993,791	\$985,074,131	\$745,011,954
2018			
Discount Rate	6.25%	7.25%	8.25%
Net Pension Liability	\$1,539,876,439	\$1,244,395,035	\$995,556,421
2019			
Discount Rate	6.25%	7.25%	8.25%
Net Pension Liability	\$1,446,814,051	\$1,146,934,744	\$894,253,229
2020			
Discount Rate	6.25%	7.25%	8.25%
Net Pension Liability	\$1,422,861,759	\$1,121,071,432	\$866,595,596

	<b>1% DECREASE</b>	<b>CURRENT</b>	<b>1% INCREASE</b>
2021			
Discount Rate	6.25%	7.25%	8.25%
Net Pension Liability	\$1,323,687,955	\$1,020,179,305	\$764,018,343
2022			
Discount Rate	6.25%	7.25%	8.25%
Net Pension Liability	\$1,669,297,106	\$1,361,642,916	\$1,101,793,669
2023			
Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability	\$1,762,105,712	\$1,432,439,283	\$1,153,875,508

Source: The Actuarial Valuation of the Retirement Fund for the fiscal year ended December 31, 2023.

RECENT LEGISLATIVE CHANGES

PA 102-0707 became effective in April of 2022, which changed the funding goal from 90% in 2050 to 100% and allows the District to issue up to \$600 million of pension obligation bonds that are exempt from the PTELL limitations. Proceeds of the bonds remitted to the Retirement Fund shall not reduce the annual required contribution for that year.

PROJECTION OF FUNDED STATUS

Table 10 provides a projection, prepared by the Fund actuary, of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio through fiscal year 2033.

**TABLE 10 – PROJECTION OF FUTURE FUNDING STATUS<sup>(1)</sup>**

<b>FISCAL YEAR</b>	<b>ACTUARIAL ACCRUED LIABILITY (a)</b>	<b>ACTUARIAL VALUE OF ASSETS<sup>(2)</sup> (b)</b>	<b>UNFUNDED ACCRUED ACTUARIAL LIABILITIES (UAAL) (a-b)</b>	<b>FUNDED RATIO (b/a)</b>
2024	\$3,028.30	\$1,637.80	\$1,390.50	54.1%
2025	\$3,065.30	\$1,611.20	\$1,454.00	52.6%
2026	\$3,098.40	\$1,559.50	\$1,538.90	50.3%
2027	\$3,128.00	\$1,575.10	\$1,552.90	50.4%
2028	\$3,153.50	\$1,571.80	\$1,581.80	49.8%
2029	\$3,174.80	\$1,563.10	\$1,611.80	49.2%
2030	\$3,192.10	\$1,549.20	\$1,642.90	48.5%
2031	\$3,205.50	\$1,529.70	\$1,675.80	47.7%
2032	\$3,215.00	\$1,504.60	\$1,710.40	46.8%
2033	\$3,220.40	\$1,473.60	\$1,746.80	45.8%

Source: (1) Foster & Foster, Naperville, Illinois. Foster & Foster serves as consulting actuary to the Retirement Fund. In millions of dollars. These projections are based on the legislative structure in place as of the date of this Official Statement and assume no changes to such legislative structure.  
 (2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “Actuarial Methods — Actuarial Value of Assets” above.

The projections in Table 10 are based upon numerous variables that are subject to change and are forward-looking statements regarding future events based on the Retirement Fund’s actuarial assumptions assuming that there are no changes to the current legislative structure. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented.

As shown in Table 10, the Retirement Fund’s actuary projects that the Retirement Fund’s Funded Ratio will be 45.8% at the end of fiscal year 2033.

DIVERSION OF STATE PAYMENTS TO THE RETIREMENT FUND UNDER P.A. 099-0008

Public Act 99-0008 (“P.A. 99-8”) allows the State Comptroller to divert State payments intended for the District to the Retirement Fund if the District fails to transmit the statutorily

required contribution by December 31st of the year in which such contribution is due. To cause the State to redirect such funds upon a failure by the District to make the required contribution, the Retirement Fund must provide the District with notice and then must certify to the State Comptroller the amount of the delinquent payments. Upon such a certification, the State Comptroller must deduct and remit to the Retirement Fund the certified amounts from payments of State funds to the District. P.A. 99-8 provides that the amount to be deducted from these State funds may not exceed the amount of the delinquent payments certified to the State Comptroller by the Retirement Fund. To date, the District has paid the annual required contributions in full and on time.

#### SOURCE OF INFORMATION

The information contained herein relies on information produced by the Retirement Fund, their independent accountants and its independent actuaries (the “Source Information”). The information presented herein is presented based on the Source Information. The District has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy of the Source Information.

The Annual Financial Reports and the Actuarial Valuations of the Retirement Fund for the fiscal years ending December 31, 2014, through December 31, 2023, may be obtained by contacting the Retirement Fund. Most of these reports are also available on the Retirement Fund’s website at [www.mwrdrf.org](http://www.mwrdrf.org); provided, however, that the content of these reports and such website is not incorporated by reference herein.

Additional information on the Retirement Fund is available in the Actuary’s Valuation.

#### **OTHER POST EMPLOYMENT BENEFITS**

The Metropolitan Water Reclamation District’s Retiree Health Care Plan (the “OPEB Plan”) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the District. The OPEB Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the OPEB Plan. Spouses and dependents of eligible retirees are also eligible for medical coverage in accordance with the Plan. All full-time employees of the District with at least ten actual years of service are eligible to receive post-employment health care benefits and coverage for retirees is provided for life. As of December 31, 2023, the date of the most recent actuarial valuation, there were 1,759 active employees and 2,789 retirees and beneficiaries receiving health care coverage.

The funding of the OPEB Plan is accomplished in two parts. The District (i) pays the current year’s retiree health care claim payments and insurance premiums from operating funds of the District on a pay-as-you-go basis, and (ii) contributes an advance funding amount to the OPEB Trust Fund (as defined below). The OPEB Trust Fund was established to advance fund benefits provided under the OPEB Plan. Currently, benefit payments and premiums are not paid from the OPEB Trust Fund, as described below.

In 2007, the District established the Metropolitan Water Reclamation District Retiree Health Care Trust (the “*OPEB Trust Fund*”) and adopted a funding policy (the “*OPEB Funding Policy*”) that is meant to (i) improve the District’s financial position by reducing the amount of future employer contributions and (ii) serve to establish a reserve to help ensure the financial ability to provide healthcare coverage for District retirees and annuitants in the future. The OPEB Trust Fund is considered a component unit of the District and, as such, is included in the District’s financial statements as a retiree health care trust fund.

Through September 30, 2024, \$157,400,000 has been contributed by the District to the OPEB Trust Fund. The OPEB Advance Funding Policy was amended by the Board of Commissioners on October 2, 2014. The amended funding policy changed the Target Funding Level from 50% to 100%; Remaining Advance Funding Period from 50 years to 12 years; and Funding Amount of \$5 million to be contributed in each of the twelve years 2015 through 2026. No further advance funding contributions will be required after 2026. Pursuant to Section 9.6d of the Act, the Board has discretionary authority to determine contribution amounts to be paid by the District into the OPEB Trust Fund.

It is projected that the OPEB Trust Fund will begin to pay claims in 2027 using the investment redemptions of the funding contributions made by the District. While there are no legal restrictions on utilizing the assets in the OPEB Trust Fund to pay benefits claims by the District until 2027, all benefit claim payments prior to that date are anticipated be paid directly by the District on a pay-as-you-go basis from operating funds of the District.

As of December 31, 2023, the funded ratio for the OPEB Plan was 96.4% and the unfunded actuarial accrued liability was \$11,698,000. The funded ratio is the ratio of actuarial value of assets to the actuarial liability and is a measure of the ability of the OPEB Plan to pay all future benefits from the assets held in the OPEB Trust Fund. Additional information pertaining to the other post-employment benefits is contained in Note 8 to the Basic Financial Statements attached hereto as APPENDIX A.

The annual financial report of the OPEB Trust Fund for the fiscal years ending December 31, 2007, through December 31, 2023, may be obtained by contacting the District and are also available on the District’s website at [www.mwrd.org](http://www.mwrd.org); provided, however, that the content of such reports and website is not incorporated by reference herein.

**EXHIBIT A**  
**REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND**

The Metropolitan Water Reclamation District of Greater Chicago (the “*District*”) has a contributory retirement fund (the “*Retirement Fund*”) which provides coverage for all District employees, Commissioners who elect to participate, and Retirement Fund employees. The total number of covered employees in active service at the end of 2023 was 1,771, while the total number receiving benefits was 2,485.

The Retirement Fund is financed by employee and District contributions. Both are determined by Article 13 of the Illinois Pension Code (40 Illinois Compiled Statutes Act 5). District contributions may be higher than required by law in accordance with the District’s Funding Policy, adopted in October 2014. The employee contribution rate is a fixed percentage of pensionable salary depending on Tier participation. Historically, the District contribution has been capped to a multiple of the employee contributions made two years prior.

On August 3, 2012, the Governor signed Public Act 97-0894 into law. This law, which went into effect in the 2013 fiscal year, increased the employer contribution multiple from 2.19 to the lesser of 4.19 multiplied by the employee contributions two years prior or a defined Actuarially Determined Contribution (ADC). Employee contributions were also increased for employees in service prior to January 1, 2011 (Tier 1) by 1% per year for three years, starting with the first pay period occurring in 2013 and capping at 12% in 2015. The Tier 1 employee contribution rate will revert to 9% the first pay period paid on or after the date when the funded ratio of the Retirement Fund is determined to have reached the 90% funding goal.

Effective August 27, 2014, the District implemented a policy of contributing an amount equal to 4.19 multiplied by the employee contributions two years prior until the Retirement Fund reaches a funded ratio of 100%.

The actuarial funding method used is the Entry Age Normal Method. The Entry Age Normal Method is an immediate gain valuation method. This means that any deviation of plan experience from the actuarial assumptions is reflected immediately in the Unfunded Liability.

This Entry Age Normal Method assigns to each year of employment a constant percentage of an employee’s salary, called the Current Service Cost, sufficient to accumulate the necessary funds to provide for the full prospective costs of the employee’s projected retirement pension. The amount of pension must be estimated using various assumptions as to future compensation levels, employee turnover, mortality, and pension fund investment earnings, since the actual pension can only be known at the time of retirement. These are called actuarial assumptions and reflect long range expectations of the plan on an ongoing or permanent basis. An annual review of these assumptions is conducted and appropriate changes are made when required.

The “Accrued Liability” of a pension fund at any point in time is the accumulated value of all Current Service Costs which should have been paid to that time for active employees plus full prospective cost of pensions for all retired employees. The extent that the actual pension fund assets are less than the Accrued Liability is called the “Unfunded Liability.”



Under Prior GASB Standards (GASB No. 25), an amount of money is required each year to amortize the Unfunded Liability over a span of thirty years. This amount is called the 30 Year Amortization of the Unfunded Liability. The total Actuarial Required Contribution (ARC) to a pension fund (financed by the employee and employer) is equal to the Current Service Cost plus 30-Year Amortization of the Unfunded Liability as a level percent of payroll.

For fiscal years 2013 and later, Section 13-503 of the Illinois Pension Code specifies that actual contributions to the Retirement Fund are compared to an Actuarially Determined Contribution (“ADC”). Contributions higher than the ADC reflects the District contributing more than projected to meet the funding requirements of the Illinois Pension Code. The ADC equals the Current Service Cost plus a Supplemental Cost (the annual amount to amortize the Unfunded Liability by 2050).

The required contribution amounts and rates contained in the report herein reflect the Prior GASB Standards (a 30-year amortization of the Unfunded Liability) for amounts before fiscal year 2015 and reflect the Actuarially Determined Contribution (based on a supplemental amortization cost to fund the Unfunded Liability by 2050) for fiscal years 2015 and later.

In 2023, District contributions to the Fund amounted to 144.7% of the actuarially determined contribution amount.

## FINANCIAL POSITION

<b>YEAR END</b>	<b>EMPLOYEE CONTRIBUTIONS</b>	<b>EMPLOYER CONTRIBUTIONS<sup>(1)</sup></b>	<b>INVESTMENT INCOME<sup>(2)</sup></b>	<b>TOTAL INCOME</b>
2014	\$18,974,954	\$73,906,168	\$87,504,592	\$180,385,714
2015	21,385,212	71,041,361	4,143,814	96,570,387
2016	20,830,779	80,259,713	118,306,730	219,397,222
2017	20,839,829	89,858,224	199,445,312	310,143,365
2018	21,032,601	87,167,339	(97,717,715)	10,482,225
2019	21,182,425	87,446,476	230,494,663	339,123,564
2020	20,982,056	107,852,191	128,773,718	257,607,965
2021	20,630,052	88,803,958	225,834,087	335,268,097
2022	21,177,644	118,458,646	(227,990,442)	(88,354,152)
2023	21,664,982	117,373,061	174,552,914	313,590,957

<b>YEAR END</b>	<b>BENEFITS</b>	<b>ADMINISTRATIVE AND INVESTMENT EXPENSES</b>	<b>REFUNDS</b>	<b>TOTAL<sup>(3)</sup></b>	<b>INCOME LESS PAYOUTS<sup>(4)</sup></b>	<b>RETURN ON INVESTED ASSETS<sup>(5)</sup></b>
2014	\$132,913,502	\$7,306,073	\$984,346	\$141,203,921	\$39,181,793	6.7%
2015	139,160,911	7,202,753	1,348,845	147,712,509	(51,142,122)	-0.2%
2016	145,325,385	6,116,322	2,010,630	153,452,337	65,944,885	9.5%
2017	152,152,914	6,234,729	2,560,129	160,947,772	149,195,593	15.6%
2018	159,561,047	6,958,411	1,762,475	168,281,933	(157,799,708)	-7.4%
2019	167,480,736	6,974,934	1,827,884	176,283,554	162,840,010	18.3%
2020	174,996,453	6,264,304	2,290,858	183,551,615	74,056,350	8.7%
2021	182,857,341	6,840,029	2,281,407	191,978,777	143,289,320	15.1%
2022	189,344,284	6,586,114	2,239,202	198,169,600	(286,523,752)	-14.5%
2023	195,246,638	7,537,798	1,882,834	204,667,270	108,923,687	12.6%

(1) Net Tax Levy and Miscellaneous Income.

(2) Includes realized net gain/loss on sale and exchange of bonds and stocks, securities lending income and other miscellaneous income. Not shown net of fees and expenses.

(3) Includes Pensions, Benefits, Refunds and Administrative Expenses.

(4) Does not include Prior Years Tax Adjustments.

(5) Computed on assets shown, less taxes receivable and cash.

DISTRIBUTION OF CASH AND SECURITY HOLDINGS

YEAR	CASH	FEDERAL GOVERNMENT SECURITIES	STATE AND LOCAL GOVERNMENT SECURITIES	CORPORATE STOCKS AND BONDS	SHORT TERM	CONVERTIBLE SECURITIES	OTHER BONDS
2014	0.0%	4.8%	0.0%	92.3%	2.7%	0.2%	0.0%
2015	0.0	5.2	0.0	91.5	3.3	0.0	0.0
2016	0.0	7.1	0.0	90.4	2.5	0.0	0.0
2017	0.0	6.7	0.0	91.1	2.2	0.0	0.0
2018	0.0	7.3	0.0	86.4	1.2	0.0	5.1
2019	0.0	6.4	0.0	83.0	3.1	0.0	7.5
2020	0.0	6.3	0.0	83.1	1.9	0.0	8.8
2021	0.0	6.2	0.0	83.2	1.6	0.0	9.0
2022	0.0	8.3	0.0	78.2	2.7	0.0	10.8
2023	0.0	8.3	0.0	80.0	2.4	0.0	9.3

SCHEDULE OF FUNDING STATUS

YEAR	ACCRUED LIABILITY <sup>(1)</sup>	ASSETS AT ACTUARIAL VALUE <sup>(2)</sup>	FUNDED RATIO	UNFUNDED ACCRUED LIABILITY	PAYROLL AT YEAR END	UNFUNDED ACCRUED % PAYROLL (SURPLUS)
2014 <sup>(a)</sup>	\$2,296,438,698	\$1,263,287,068	55.0%	\$1,033,151,630	\$176,183,941	586%
2015 <sup>(b)</sup>	2,371,031,195	1,307,982,039	55.2	\$1,063,049,156	177,792,309	598
2016	2,443,291,644	1,372,361,950	56.2	\$1,070,929,694	182,640,163	586
2017	2,497,890,179	1,456,195,876	58.3	\$1,041,694,303	184,385,188	565
2018 <sup>(a)</sup>	2,601,163,632	1,470,308,639	56.5	\$1,130,854,993	187,849,708	602
2019	2,666,221,630	1,489,266,144	55.9	\$1,176,955,486	189,961,010	620
2020	2,714,192,284	1,556,056,167	57.3	\$1,158,136,117	188,072,970	616
2021	2,756,489,008	1,617,809,696	58.7	\$1,138,679,312	187,213,026	608
2022	2,811,600,986	1,624,081,682	57.8	\$1,187,519,304	195,713,509	607
2023 <sup>(a)</sup>	2,989,813,526	1,658,670,756	55.5	\$1,331,142,770	204,388,113	651

(a) Change in actuarial assumptions.

(b) Change in actuarial methods.

(1) Results for 2014-2017 and later are based on 7.50% interest and a salary scale that varies based on service. Results for 2018 and later are based on 7.25% interest and salary increases and decrement rates based on a September 28, 2018 experience study. Results for 2023 and later are based on 7.00% interest and other assumptions based on an August 24, 2023 experience study.

(2) All asset values shown here reflect the smoothed actuarial assets.

In the Schedule of Funding Status, analysis of the dollar amount of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the retirement system. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient

assets to pay benefits when due. Generally, a smaller percentage indicates a stronger retirement system.

#### PRIORITIZED SOLVENCY TEST

The prioritized solvency test is another means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared with actuarial accrued liabilities classified into the following categories: (1) liability for active member contributions on deposit; (2) liability for future benefits to present retired lives; and (3) liability for the employer financed portion of service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing the obligation for active member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the present value of credited projected benefits for present active members (present value 3) will be partially covered by the remainder of present assets. Generally, if the system has been using a level cost financing, the funded portion of present value will increase over time.

VALUATION DATE 12/31	AGGREGATE ACCRUED LIABILITIES FOR:				PORTION (%) OF ACCRUED LIABILITIES COVERED BY ASSETS		
	(1)	(2)	(3)	ACTUARIAL ASSET VALUES <sup>(a)</sup>	(1)	(2)	(3)
	ACTIVE MEMBER CONTRIBUTIONS	RETIREES AND BENEFICIARIES	ACTIVE MEMBERS (ER FINANCED PORTION)				
2014 <sup>(b)</sup>	\$231,430,077	\$1,541,326,692	\$422,154,924	\$1,263,287,068	100%	67%	0%
2015 <sup>(c)</sup>	236,967,954	1,616,195,435	517,867,805	1,307,982,039	100	66	0
2016	244,239,334	1,676,732,070	522,320,240	1,372,361,950	100	67	0
2017	247,730,731	1,745,598,298	504,561,150	1,456,195,876	100	69	0
2018 <sup>(b)</sup>	251,845,144	1,843,563,888	505,754,600	1,470,308,639	100	66	0
2019	251,719,321	1,929,940,867	484,561,442	1,489,266,144	100	64	0
2020	249,921,777	2,013,763,878	450,506,629	1,556,056,167	100	65	0
2021	249,356,777	2,082,783,118	424,349,113	1,617,809,696	100	66	0
2022	254,312,023	2,123,926,285	433,362,678	1,624,081,682	100	64	0
2023	262,012,341	2,245,880,474	481,920,711	1,658,670,756	100	62	0

(a) Assets at 5 year smoothed market value.

(b) Change in actuarial assumptions.

(c) Change in actuarial method.

#### ACTUARIAL REQUIREMENTS

Beginning with the 2015 fiscal year, the total required Actuarially Determined Contribution to the Fund (financed by the employee and the District) is equal to the Current Service Cost plus an amount to amortize the Unfunded Liability over a period ending in 2050. Prior to the December 31, 2014 valuation, the contribution amounts reflected a 30-year amortization period in accordance with the Prior GASB Statements (GASB No. 25).

For the year 2023, the District contributed \$117,373,061 or 57.4% of December 31, 2023 pensionable payroll. For 2023, employee contributions were \$21,664,982 or 10.60% of December 31, 2023, pensionable payroll. The corresponding total actuarially determined contribution, consisting of the Current Service Cost plus the amount to amortize the Unfunded Liability over a period ending in 2050 was 39.69% of December 31, 2023 pensionable payroll.

As the District tax levy is expressed as a multiple of the total salary deductions made two years prior, the District is effectively contributing a level annual percentage of payroll.

YEAR	TOTAL ACTUARILLY DETERMINED CONTRIBUTION RATE	ACTUAL CONTRIBUTION		DEFICIENCY (EXCESS) IN ANNUAL CONTRIBUTION
		EMPLOYER	EMPLOYEE	
2014 <sup>(a)</sup>	52.18%	43.63%	11.20%	-2.65%
2015 <sup>(b)</sup>	47.28%	40.32%	12.14%	-5.18%
2016	48.06%	45.14%	11.72%	-8.88%
2017	47.52%	49.20%	11.41%	-13.09%
2018 <sup>(a)</sup>	46.67%	47.27%	11.41%	-12.01%
2019	50.86%	46.55%	11.28%	-6.97%
2020	51.93%	56.78%	11.05%	-15.90%
2021	51.93%	47.22%	10.97%	-6.26%
2022	51.94%	63.27%	11.31%	-22.64%
2023 <sup>(a)</sup>	52.32%	59.97%	11.07%	-18.72%
2024	56.96%	43.41% Est	10.76% Est	2.79% Est

(a) Change in actuarial assumptions.

(b) Change in actuarial method.

Note: The actuarially determined contribution rate for 2011 through 2014 is calculated as the normal cost plus 30 year amortization of the unfunded liability according to GASB 25. For contributions determined for 2015 and thereafter, GASB 25 no longer applies. The reported required actuarial contribution is based on the actuarially determined contribution according to state statute: normal cost plus an amount to amortize the unfunded accrued liability by 2050 (a 27-year amortization for 2023).

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

FISCAL YEAR	ACTUARILLY DETERMINED CONTRIBUTION <sup>(1)</sup>	TAX LEVY <sup>(2)</sup>	EMPLOYER SPECIAL CONTRIBUTION	TOTAL EMPLOYER CONTRIBUTION	PERCENT OF ADC CONTRIBUTED BY EMPLOYER
2014	\$69,924,438	\$61,654,000	\$12,000,000	\$73,906,168	105.69%
2015	62,603,576	70,772,000		71,041,361	113.48
2016	64,596,066	79,505,000		80,259,713	124.25
2017	65,727,912	89,604,000		89,858,224	136.71
2018	64,988,583	87,281,000		87,167,339	134.13
2019	74,279,999	87,319,000		87,446,476	117.73
2020	77,392,414	88,127,000	20,000,000	107,852,191	139.96
2021	76,841,344	88,754,000		88,803,958	115.57
2022	76,680,499	87,915,000	30,000,000	118,458,646	154.48
2023	81,128,393	86,440,000	30,000,000	117,373,061	144.68

(1) The actuarially determined contribution for 2011 through 2014 is calculated as the normal cost plus 30 year amortization of the unfunded liability according to GASB 25. For contributions determined for 2015 and thereafter, GASB 25 no longer applies. The reported required actuarial contribution is based on the actuarially determined contribution according to state statute: normal cost plus an amount to amortize the unfunded accrued liability by 2050 (a 30-year amortization for 2020).

(2) Tax levy.

## ACTUARIAL ASSUMPTIONS AND COST METHOD

The actuarial assumptions used for the 2018 through 2022 actuarial valuations were based on our experience analysis of the fund for the five-year period 2013 through 2017. The actuarial assumptions used for the 2023 actuarial valuation were based on an experience analysis of the fund for the five-year period 2018 through 2022.

The major actuarial assumptions used for the 2023 valuation is summarized below:

- *Investment return:* 7.00% per year, compounded annually.
- *Salary increase:* Tables of rates based on service.
- *Retirement Rates:* Rates of retirement for each age from 50 to 75, based on the recent experience of the fund.
- *Termination Rates:* Termination rates, varying by age and length of service, based on the recent experience of the fund.
- *Mortality Rates:* RP-2000 Combined Healthy Mortality Table, with Generational mortality improvements (Scale AA) for healthy lives. Female rates are adjusted by a factor of 1.061 and male rates are adjusted by a factor of 1.075.
- *Payroll growth assumptions:* 2.75%.

In our opinion, the actuarial assumptions used for the valuation are reasonable, in the aggregate, considering the Retirement Fund's experience and future expectations and represent our best estimate of anticipated experience.

**APPENDIX D**

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

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## APPENDIX D

### DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic developments provide context for understanding the setting within which the District's financial activities take place. This appendix provides material for analyzing that setting.

#### POPULATION 1980 – 2020

<u>YEAR</u>	<u>UNITED STATES</u>	<u>STATE OF ILLINOIS</u>	<u>COOK COUNTY</u>
1980	226,545,805	11,427,409	5,253,655
1990	248,709,873	11,430,602	5,105,067
2000	281,421,906	12,419,293	5,376,741
2010	308,745,538	12,830,632	5,198,716
2020	329,933,229	12,587,530	5,275,541

Source: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

#### POPULATION OF THE STATE OF ILLINOIS AND COOK COUNTY - 2014 – 2023

<u>YEAR</u>	<u>COOK COUNTY</u>	<u>STATE OF ILLINOIS</u>
2014	5,246,456	12,880,580
2015	5,244,088	12,859,585
2016	5,254,675	12,821,709
2017	5,252,875	12,779,893
2018	5,239,351	12,724,685
2019	5,219,780	12,667,017
2020	5,275,541	12,587,530
2021	5,173,146	12,671,469
2022	5,109,292	12,582,032
2023	5,087,072	12,549,689

Source: U.S. Department of Commerce, Bureau of Economic Analysis, except 2020 Cook County population information, which is a U.S. Census Bureau estimate.

**PER CAPITA INCOME**  
**COOK COUNTY**  
*2014-2023*

<u>YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME (IN \$1,000s)</u>	<u>PER CAPITA PERSONAL INCOME</u>
2014	5,254,675	\$281,725,817	\$53,614
2015	5,244,088	296,518,776	56,543
2016	5,224,272	298,699,521	57,175
2017	5,200,821	309,151,571	59,443
2018	5,171,960	328,088,258	63,436
2019	5,150,233	336,341,911	65,306
2020	5,275,541	353,208,021	66,952
2021	5,173,146	377,531,022	72,979
2022	5,109,292	372,196,594	72,847
2023	5,087,072	*	*

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

\* Figures expected to be released November 2024.

**TOTAL EMPLOYMENT IN COOK COUNTY - 2014 – 2023**  
*(as of December 1)*

<u>YEAR</u>	<u>NUMBER EMPLOYED</u>
2014	2,512,521
2015	2,575,697
2016	2,590,236
2017	2,604,224
2018	2,625,264
2019	2,636,486
2020	2,378,718
2021	2,511,829
2022	2,559,728
2023	2,581,811

Source: U.S. Department of Labor, Bureau of Labor Statistics.

**AVERAGE WEEKLY WAGE**  
*2014-2023*

<b>YEAR</b>	<b>COOK COUNTY</b>	<b>STATE OF ILLINOIS</b>	<b>UNITED STATES OF AMERICA</b>
2014	\$1,209	\$1,011	\$ 871
2015	1,267	1,146	1,082
2016	1,250	1,122	1,067
2017	1,283	1,151	1,109
2018	1,335	1,189	1,144
2019	1,369	1,221	1,185
2020	1,571	1,378	1,339
2021	1,671	1,473	1,418
2022	1,597	1,432	1,385
2023	1,651	1,479	1,435

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**UNEMPLOYMENT RATES**  
*Last Ten Fiscal Years*

<b>YEAR</b>	<b>COOK COUNTY</b>	<b>STATE OF ILLINOIS</b>	<b>UNITED STATES OF AMERICA</b>
2014	7.0%	6.2%	5.6%
2015	6.2%	6.0%	5.5%
2016	6.2%	4.9%	4.7%
2017	6.0%	4.4%	4.1%
2018	3.9%	4.4%	3.9%
2019	3.2%	3.3%	3.6%
2020 <sup>(1)</sup>	9.4%	7.6%	6.7%
2021	4.4%	4.8%	5.4%
2022	4.0%	4.5%	3.7%
2023	4.0%	4.7%	3.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics. Represents the average unemployment rate experienced during the year.

(1) Increase in unemployment rates primarily attributable to the effect of the COVID-19 pandemic.

**PRINCIPAL EMPLOYERS**  
*2023 to 2014 Comparison*

EMPLOYER	2023 <sup>(1)</sup>			2014 <sup>(2)</sup>		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT <sup>(3)</sup>	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
U.S. Government (1)	52,315	1	1.03%	45,673	1	0.86%
Chicago Public Schools	43,286	2	0.85%	38,933	2	0.73%
Advocate Health (2)	38,679	3	0.76%	18,556	5	0.35%
City of Chicago	30,918	4	0.61%	30,345	3	0.57%
Amazon.Com Inc. (3)	30,100	5	0.59%	-	-	-
Northwestern Memorial Healthcare	25,386	6	0.50%	14,550	9	0.27%
University of Chicago (4)	22,395	7	0.44%	16,025	6	0.30%
Endeavor Health (5)	20,251	8	0.40%	-	-	-
Cook County	19,797	9	0.39%	21,622	4	0.41%
Walmart Inc.	17,400	10	0.34%	-	-	-
J.P. Morgan Chase & Co.				15,015	7	0.28%
State of Illinois				14,925	8	0.28%
United Continental Holdings Inc.				14,000	10	0.26%

Source: Crain's Chicago Business as of February 26, 2024.

(1) U.S. Government's estimate.

(2) Formerly Advocate Aurora. In December 2022, Advocate Aurora Health and Atrium Health merged to create Advocate Health.

(3) Includes estimated distribution center employment figures from MWPVL International. Includes part-time employees. Includes Whole Foods employees.

(4) Includes employees of University of Chicago medicine.

(5) Formerly NorthShore – Edward-Elmhurst Health.

**PRINCIPAL PROPERTY TAXPAYERS**  
**2022<sup>(1)</sup> and 2013**  
*(in thousands of dollars)*

TAXPAYER <sup>(1)</sup>	TYPE OF BUSINESS	2022(1)			2013		
		EQUALIZED ASSESSED VALUE <sup>(2)</sup>	RANK	PERCENTAGE OF TOTAL EQUALIZED ASSESSED VALUE <sup>(2)</sup>	EQUALIZED ASSESSED VALUE <sup>(2)</sup>	RANK	PERCENTAGE OF TOTAL EQUALIZED ASSESSED VALUE
Willis Tower	Retail & Office	\$730,003	1	.40%	\$370,197	1	0.30%
Merchandise Mart	Business & Office	515,974	2	.28%	231,146	3	0.19
CME Center	Office	481,408	3	.27%	209,623	7	0.17
One Prudential Plaza	Office	395,210	4	.22%	193,495	9	0.16
AON Center	Insurance	338,566	5	.19%	248,906	2	0.20
150 Riverside	Office	338,524	6	.18%	-	-	-
110 North Wacker	Office	319,867	7	.17%	-	-	-
River Point	Office	310,241	8	.17%	-	-	-
Blue Cross Blue Shield Tower	Office	303,047	9	.17%	201,987	8	0.16
One North Wacker Drive	Office	286,055	10	.16%	210,714	6	0.17
Citadel Center	Retail & Office	-	-	__%	228,376	4	0.19
Hyatt Center	Office	-	-	__%	218,526	5	0.18
Water Tower Place	Retail & Office	-	-	__%	190,953	10	0.15
		<u>\$4,018,895</u>		<u>2.03%</u>	<u>\$2,303,923</u>		<u>1.87%</u>

Source: Cook County Treasurer's Office and Cook County Clerk's Office.

(1) 2023 information is unavailable.

(2) The total Equalized Assessed Valuation for 2022 is \$181,643,000 and \$123,419,544 for 2013.

**NON-FARM EMPLOYMENT BY MAJOR INDUSTRY SECTOR**

<b>SECTOR</b>	<b>CHICAGO-NAPERVILLE- ARLINGTON HEIGHTS<sup>(1)</sup></b>		<b>UNITED STATES</b>	
	<b>EMPLOYEES (IN 1,000S)</b>	<b>PERCENTAGE OF TOTAL EMPLOYMENT</b>	<b>EMPLOYEES (IN 1,000S)</b>	<b>PERCENTAGE OF TOTAL EMPLOYMENT</b>
Mining and Logging	1.7	0.04%	635.0	0.40%
Construction	192.7	3.99%	8,246.0	5.20%
Manufacturing	423.6	8.78%	12,951.0	8.16%
Trade, transportation, and utilities	966.5	20.03%	29,045.0	18.31%
Information	76.8	1.59%	3,000.0	1.89%
Financial Activities	320.9	6.65%	9,247.0	5.83%
Professional and business services	825.3	17.10%	22,967.0	14.48%
Education and health services	771.3	15.98%	26,391.0	16.64%
Leisure and hospitality	501.1	10.38%	16,930.0	10.67%
Government	540.4	11.20%	23,315.0	14.70%
Other and unclassified services	205.0	4.25%	5,910.0	3.73%
<b>Total</b>	<b>4,825.3</b>	<b>100.00%</b>	<b>158,637.0</b>	<b>100.00%</b>

Source: U.S. Department of Labor, Bureau of Labor Statistics. Data for both is as of August 2024.

(1) The Chicago-Naperville-Arlington Heights, IL Metropolitan Division includes Cook, DuPage, Grundy, Kendall, McHenry, and Will Counties in Illinois.

**COMPARATIVE ANNUAL COST OF WASTEWATER SERVICES**  
(2014-2023)

<b>YEAR</b>	<b>THE DISTRICT<sup>(1)</sup></b>	<b>MIDWEST<sup>(2)</sup></b>	<b>NATIONAL<sup>(2)</sup></b>
2014	\$285	\$437	\$448
2015	323	428	452
2016	331	401	479
2017	344	455	501
2018	379	433	503
2019	381	477	512
2020	378	498	526
2021	428	518	551
2022	452	535	569
2023	447	547	588

Source: NACWA Cost of Clean Water Index, except for information regarding the District which was calculated by the District based on information available from the County Clerk.

- (1) Represents the average cost of wastewater services for a house located in Cook County, Illinois, with an equalized assessed valuation of \$200,000.
- (2) Represents the average annual cost paid for wastewater services for a single-family residence in the respective geographic area, USEPA Region 5.

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**APPENDIX E**

**FORMS OF OPINIONS OF CO-BOND COUNSEL**

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**APPENDIX E**

**2024A BONDS**

[Letterhead Of Co-Bond Counsel]

[To Be Dated The Closing Date]

The Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ principal amount of General Obligation Limited Tax Capital Improvement Bonds, 2024 Series A (Green Bonds) (the “Bonds”) of the Metropolitan Water Reclamation District of Greater Chicago (the “District”), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O24 \_\_\_ adopted by the Board of Commissioners of the District on \_\_\_\_\_, 2024, and entitled: “An Ordinance Authorizing and Providing For the Issuance of Not to Exceed \$ \_\_\_\_\_ General Obligation Limited Tax Capital Improvement Bonds of the Metropolitan Water Reclamation District of Greater Chicago” (the “Bond Ordinance”), and the 2024A Bond Order dated \_\_\_\_\_, 2024.

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated December \_\_, 2024. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2025, and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

The Bonds maturing on or after December 1, 2035, are subject to redemption prior to maturity at the option of the District, in such principal amounts and from such maturities as the District shall determine and by lot within a single maturity, on December 1, 2034, and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing in the years 20\_\_ and 20\_\_ are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

<u>20__ Bonds</u>		<u>20__ Bonds</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
20	\$	20	\$
20		20	
20		20	
20		20	

The Bonds are “limited bonds” as defined in the Local Government Debt Reform Act, which are payable from the “debt service extension base” of the District as defined in the Property Tax Extension Limitation Law, 35 Illinois Compiled Statutes 200/18-185 through 18-245.

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate, but limited as to amount by provisions of the Property Tax Extension Limitation Law. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”),

we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not “private activity bonds” within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

**2024B BONDS**

[Letterhead Of Co-Bond Counsel]

[To Be Dated The Closing Date]

The Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ principal amount of General Obligation Unlimited Tax Capital Improvement Bonds, 2024 Series B (Green Bonds) (the “Bonds”) of the Metropolitan Water Reclamation District of Greater Chicago (the “District”), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O24 \_\_\_ adopted by the Board of Commissioners of the District on \_\_\_\_\_, 2024, and entitled: “An Ordinance Authorizing and Providing For the Issuance of Not to Exceed \$ \_\_\_\_\_ General Obligation Unlimited Tax Capital Improvement Bonds of the Metropolitan Water Reclamation District of Greater Chicago” (the “Bond Ordinance”) and the 2024B Bond Order dated \_\_\_\_\_, 2024.

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated December \_\_, 2024. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2025, and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2033	\$	%
2034		
2035		
2036		

The Bonds maturing on or after December 1, 2035, are subject to redemption prior to maturity at the option of the District, in such principal amounts and from such maturities as the District shall determine and by lot within a single maturity, on December 1, 2034, and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing in the year 20\_\_ are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following table, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

<u>Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__	

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

**2024C BONDS**

[Letterhead Of Co-Bond Counsel]

[To Be Dated The Closing Date]

The Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ principal amount of General Obligation Limited Tax Refunding Bonds, 2024 Series C (the “Bonds”) of the Metropolitan Water Reclamation District of Greater Chicago (the “District”), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, the Sanitary District Refunding Bond Act, 70 Illinois Compiled Statutes 3005, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O24 \_\_\_ adopted by the Board of Commissioners of the District on \_\_\_\_\_, 2024, and entitled: “An Ordinance Authorizing and Providing For the Issuance of Not to Exceed \$ \_\_\_\_\_ General Obligation Limited Tax Refunding Bonds of the Metropolitan Water Reclamation District of Greater Chicago” (the “Bond Ordinance”) and the Series 2024C Bond Order dated \_\_\_\_\_, 2024.

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated December \_\_, 2024. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2025, and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%



The Bonds are “limited bonds” as defined in the Local Government Debt Reform Act, which are payable from the “debt service extension base” of the District as defined in the Property Tax Extension Limitation Law, 35 Illinois Compiled Statutes 200/18-185 through 18-245.

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate, but limited as to amount by provisions of the Property Tax Extension Limitation Law. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not “private activity bonds” within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

**2024D BONDS**

[Letterhead Of Co-Bond Counsel]

[To Be Dated The Closing Date]

The Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ principal amount of General Obligation Unlimited Tax Refunding Bonds, 2024 Series D (the “Bonds”) of the Metropolitan Water Reclamation District of Greater Chicago (the “District”), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, the Sanitary District Refunding Bond Act, 70 Illinois Compiled Statutes 3005, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O24 \_\_\_ adopted by the Board of Commissioners of the District on \_\_\_\_\_, 2024, and entitled: “An Ordinance Authorizing and Providing For the Issuance of Not to Exceed \$ \_\_\_\_\_ General Obligation Unlimited Tax Refunding Bonds of the Metropolitan Water Reclamation District of Greater Chicago” (the “Bond Ordinance”) and the Series 2024D Bond Order dated \_\_\_\_\_, 2024.

The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated December \_\_, 2024. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2025, and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. However, the

enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

**2024E BONDS**

[Letterhead Of Co-Bond Counsel]

[To Be Dated The Closing Date]

The Board of Commissioners of the  
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ principal amount of General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source), 2024 Series E (the “Bonds”) of the Metropolitan Water Reclamation District of Greater Chicago (the “District”), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O24 \_\_\_\_\_ adopted by the Board of Commissioners of the District on \_\_\_\_\_, 2024, and entitled: “An Ordinance Authorizing and Providing For the Issuance of Not to Exceed \$ \_\_\_\_\_ General Obligation Unlimited Tax Refunding Bonds (Alternate Revenue Source) of the Metropolitan Water Reclamation District of Greater Chicago (the “Bond Ordinance”) and the Series 2024E Bond Order dated \_\_\_\_\_, 2024 (the “Bond Order”).

The Bonds are “alternate bonds” issued pursuant to Section 15 of the Local Government Debt Reform Act. The Bonds are issuable in the form of fully registered bonds in the denominations of \$5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated December \_\_\_\_, 2024. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2025, and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

The Bonds maturing on or after December 1, 2035, are subject to redemption prior to maturity at the option of the District, in such principal amounts and from such maturities as the District shall determine and by lot within a single maturity, on December 1, 2034, and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

Each maturity of the Bonds is also subject to redemption prior to maturity at the option of the District, as a whole or in part, on any business day at the applicable Make Whole Redemption Price determined in accordance with the Bond Ordinance and the Bond Order.

The Bonds maturing in the years 20\_\_ and 20\_\_ are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

<u>20__ Bonds</u>		<u>20__ Bonds</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
20	\$	20	\$
20		20	
20		20	
20		20	

Interest on the Bonds is includable in gross income for Federal income tax purposes. Interest on the Bonds is not exempt from Illinois income taxes.

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

Very truly yours,

## APPENDIX F

### BOOK ENTRY SYSTEM

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds (b) bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

#### BOOK ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More

information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org) (such websites are not incorporated herein by such reference).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).



Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Bond Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of the book entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the District takes no responsibility for the accuracy thereof.

#### USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

In reading this Official Statement it should be understood that, while the Bonds are in the Book Entry System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds; however, all rights of ownership must be exercised through DTC and the book entry system.

*The District cannot and does not give any assurances that DTC, Direct Participants, or Indirect Participants of DTC will distribute to the Beneficial Owners of the Bonds (i) payment of principal of or interest on the Bonds (ii) confirmations of their ownership interests in the Bonds or (iii) other notices sent to DTC or Cede & Co., its partnership nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.*

*The District does not have any responsibility or obligation to DTC, the Direct Participants, or Indirect Participants of DTC, or the Beneficial Owners with respect to (1) the accuracy of any records maintain by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial owner in respect of the principal amount of or interest on Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial*

*Owner that is required or permitted to be given to owners under the terms of the Resolution; or  
(4) any consent given or other action taken by DTC as owner of the Bonds.*

**APPENDIX G**

**SCHEDULE OF REFUNDED BONDS**

The District expects to refund the Series 2014C Bonds listed below by applying proceeds of the 2024C Bonds to pay the redemption price of such Series 2014C Bonds on their redemption date. The District expects to refund the 2021 Refunded Bonds listed below by applying proceeds of the 2024D and 2024E Bonds to pay the purchase price of such bonds on the date of delivery of the 2024D and 2024E Bonds, respectively, in accordance with the Invitation, and thereby refunding such 2021 Refunded Bonds.

**SERIES 2014C LIMITED TAX GENERAL OBLIGATION PROJECT BONDS OF JANUARY 2015**

Original Principal Amount:

Dated: January 6, 2015

Redemption Date: January \_\_, 2025

YEAR (DECEMBER 1)	COUPON	AMOUNT (\$) REFUNDED BONDS OUTSTANDING	AMOUNT (\$) REFUNDED
2025	5.000	\$ 3,135,000	
2026	5.000	10,665,000	
2027	5.000	16,805,000	
2028	5.000	17,865,000	

**SERIES 2021E UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF DECEMBER 2021**

Original Principal Amount:

Dated: December 7, 2021

Redemption Date: December \_\_, 2024

YEAR (DECEMBER 1)	COUPON	AMOUNT (\$) REFUNDED BONDS OUTSTANDING	AMOUNT (\$) REFUNDED
2026	1.615	\$ 4,270,000	
2027	1.818	16,315,000	
2028	2.018	14,565,000	
2029	2.134	4,890,000	
2032	2.534	50,780,000	
2033	2.684	21,665,000	

**SERIES 2021F UNLIMITED TAX (ALTERNATE REVENUE SOURCE) GENERAL OBLIGATION  
REFUNDING BONDS OF DECEMBER 2021**

Original Principal Amount:

Dated: December 7, 2021

Redemption Date: December \_\_, 2024

YEAR (DECEMBER 1)	COUPON	AMOUNT (\$) REFUNDED BONDS OUTSTANDING	AMOUNT (\$) REFUNDED
2025	1.415	\$ 2,165,000	
2026	1.615	2,195,000	
2027	1.818	2,230,000	
2028	2.018	2,270,000	
2029	2.134	2,315,000	
2030	2.234	2,365,000	
2031	2.334	2,415,000	
2032	2.534	2,475,000	
2033	2.684	2,535,000	
2034	2.784	2,605,000	
2035	2.884	2,675,000	
2036	2.984	2,755,000	
2041	3.060	14,085,000	

**APPENDIX H**

**S&P GLOBAL RATINGS SECOND PARTY OPINION**

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An S&P Global Second Party Opinion (SPO) includes S&P Global Ratings' opinion on whether the documentation of a sustainable finance instrument, framework, or program, or a financing transaction aligns with certain third-party published sustainable finance principles. Certain SPOs may also provide our opinion on how the issuer's most material sustainability factors are addressed by the financing. An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings. See [Analytical Approach: Second Party Opinions](#).

Second Party Opinion

**The Metropolitan Water Reclamation District of Greater Chicago's Capital Improvement Program Bonds, 2024 Series A and B**

Nov. 21, 2024

**Location:** United States      **Sector:** Utilities

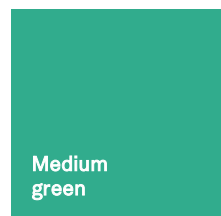
**Alignment With Principles**      Aligned = ✓      Conceptually aligned = ○      Not aligned = ✕

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

See [Alignment Assessment](#) for more detail.

Primary contact

**Henrik Cotran**  
San Francisco  
+1-415-371-5108  
henrik.cotran  
@spglobal.com



Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our [Shades of Green Analytical Approach](#) >

Strengths

**The Metropolitan Water Reclamation District of Greater Chicago (MWRD) provides essential wastewater treatment and stormwater management services in the Chicago area, providing significant environmental and human health benefits.** The issuer's systems are a critical component of the area's infrastructure, serving to treat municipal wastewater and redirect stormwater to mitigate flooding and untreated water overflows.

**MWRD's comprehensive climate action plan (CAP) details its approach to reducing greenhouse gas emissions and guiding climate resiliency infrastructure investments.** It establishes goals for emissions reduction, renewable energy use, and energy self-sufficiency from biogas. It also assesses likely physical climate impacts to the system, ongoing responses, and infrastructure investments. We believe it provides a strong framework for its efforts to mitigate physical and transition climate risks.

Weaknesses

No weaknesses to report.

Areas to watch

**MWRD has room to improve its greenhouse gas emissions profile and more fully integrate nutrient and energy capture within its system.** The issuer's goal to increase renewable energy use could help offset scope 2 emissions, while further efforts to enhance nutrient recycling and energy capture could reduce its emissions and reduce nutrient discharge to local watersheds.

**MWRD expects its capital upgrades to reduce, not eliminate, runoff from its system during extreme weather events.** While a principal outcome of the projects is to reduce untreated runoff, it is uncertain how frequent instances of flooding that overwhelm the system could be in the future.


## Eligible Green Projects Assessment Summary

Over the three years following issuance of the financing, MWRD expects to allocate approximately 92% to sustainable water and wastewater management and 8% to climate change adaptation and resilience projects.


The issuer expects 100% of proceeds to be directed to finance new projects.

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in MWRD's Capital Improvement Bonds, 2024 Series A and 2024 Series B, we assess the transaction as Medium green.

Eligible projects under issuer's green finance transaction are assessed based on their environmental benefits and risks, using Shades of Green methodology.

<b>Sustainable water and wastewater management</b>	 <b>Medium green</b>
--	---

Wastewater collection and treatment, including constructing, remodeling, and enlarging of sewage treatment works, administrative buildings, water quality improvement projects, pumping stations, tunnels, conduits, intercepting sewers, and outlet sewers.

<b>Climate change adaptation and resilience</b>	 <b>Medium green</b>
---	---

Construction of regional and local stormwater facilities, including runoff control systems, pumping stations, and runoff storage facilities.

See [Analysis Of Eligible Projects](#) for more detail.



## Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing transaction within its overall strategy.

### Company Description

Established in 1889, the MWRD is a special purpose government agency responsible for treating wastewater and managing stormwater in Cook County, Ill. MWRD's activities include collecting wastewater and stormwater, conveying it to wastewater reclamation plants, providing full secondary treatment, and discharging clean water to local waterways. MWRD serves a broad service area of over 880 square miles within Cook County, including Chicago and 128 suburbs. The population is substantial, with more than five million people and significant commercial and industrial anchor customers.

Through the issuance of the 2024 series A and series B bonds, MWRD intends to invest in projects that provide environmental benefits by improving wastewater treatment services in the Greater Chicago area.

### Material Sustainability Factors

#### Water

Water, stormwater, and wastewater utilities face various water supply and quality challenges depending on their location and role in the water lifecycle. Water supply and quality issues may result from multiple factors, including infrastructure quality and resulting water lost during extraction and transportation. Other factors could stem from acute physical climate events such as droughts and floods, chronic physical climate risks (e.g., sea level rise and changing precipitation patterns), or degradation of the watershed near extraction points due to human intervention or climate change. While wastewater treatment can serve as a valuable source of treated water for specific end markets, the process may introduce potential downstream impacts on ecosystems and communities depending on the process efficiency, infrastructure capacity, and ultimately the quality of the treated water. Also, the potential overflow of untreated sewage and stormwater into water bodies used as water extraction points can also be an issue for both operator and ultimately, customers. Furthermore, operators may encounter escalating stakeholder conflicts driven by competing demands for limited water resources, such as agriculture, efforts to preserve ecosystems, power generation, and other industrial water users.

#### Pollution

Globally, high quantities of untreated wastewater are released into the environment where it can contaminate water bodies, making pollution a material stakeholder concern for water utilities. They also manage toxic pollution from agricultural runoff and industrial discharge in water basins. Contaminated water and poor sanitation systems in turn contribute to long-term health conditions, and these customer health and safety events can, when severe, undermine public trust. Under applicable environmental laws and regulations, entities could be liable if their operations cause environmental damage, in particular air, drinking water, or soil contamination. Power service disruptions can also be life threatening, primarily for certain vulnerable groups, but utilities typically ensure adequate back-up power.

#### Physical climate risk

Physical climate risk is a material factor because of the potential damage to assets and disruptions to many stakeholders and to operations. Acute physical risks--such as typhoons, storms, and floods--can impair, disrupt, or even destroy assets, limiting the availability of essential infrastructure of utility networks. Over time, chronic risks--increase in precipitation patterns, and sea level rise--may shorten the useful life of port infrastructure. Their impacts can also be much broader if key assets are unavailable for extended periods. The increasing frequency of acute physical risks and the assets' long-term nature and fixed locations point to growing materiality. The impacts of physical climate risks may extend beyond the assets themselves and play out to

infrastructure provider's region or service area. This could have more prolonged impacts on demand, potentially affecting stakeholders.

### **Impact on communities**

The affordability and reliability of networks are under pressure from climate-related risks, exacerbating the materiality for stakeholders given how close utility networks are to where people live and work, and that energy and water services are essential for community health and well-being globally. Energy and water are essential services supporting human health and well-being and global economic development. Service disruptions or steep price increases are likely to be amplified by the energy transition and physical climate risks. These dynamics can affect households' purchasing power and the competitive strengths of local industries, which make this highly material for stakeholders. Stakeholder impacts may also arise from the construction and siting of lines--especially in areas unaccustomed to industrial development and in indigenous territories. Additionally, for water utilities, pollution in source water can affect the availability and useability of supply, and may pose severe, and sometimes irreversible, community health and safety hazards. However, the industry's reliability remains high, and we expect this to continue given that water utilities use long term-integrated resource planning, which accounts for these risks. Moreover, while utility bills are rising, they tend to rise at a rate lower than inflation. Additionally, regulators continue to allow utilities to use mechanisms to smooth volatility and to offer income assistance programs, which underpins a more moderate impact.

## **Issuer And Context Analysis**

**The projects financed through the transaction address water, pollution, physical climate risk, and impact on communities, which are material sustainability factors in the sector.** The issuer expects the projects to enhance wastewater and stormwater management systems in the Greater Chicago area, thereby improving the health and safety of local waterways and communities.

**We believe MWRD's strategy to manage wastewater and stormwater, which directly relate to water and pollution management, is comprehensive.** The strategy focuses on three main areas: stormwater management, wastewater treatment, and water quality protection. With seven wastewater treatment plants, MWRD safeguards the water quality of Lake Michigan, the region's drinking water source. The company's water reclamation plants release treated water by removing nitrogen and phosphorus, among other pollutants. Through biological and chemical processes, MWRD eliminates more than 91% of total phosphorus from wastewater. MWRD's Tunnel and Reservoir Plan (TARP) captures sewer overflows, while investments in infrastructure and other stormwater management practices serve to increase wastewater treatment capacity and reduce polluted runoff, preventing it from entering the local watershed. The issuer also conducts water sampling at 30 locations within its 882-square-mile service area to monitor various chemical and biological constituents, oxygen levels, and temperature. These efforts enhance water quality for residents and industries and contribute to the improvement of the aquatic ecosystem. MWRD operates under several key environmental regulations, such as Clean Water Act (CWA), Watershed Management Ordinance (WMO), Illinois Environmental Protection Agency (IEPA), etc., that govern its activities in wastewater treatment and stormwater management, ensuring sustainable practices, which is viewed positively.

**The entity recognizes the threat of climate change and implemented a CAP to ensure long-term delivery of wastewater treatment and stormwater management services.** Chicago is facing more frequent and severe weather patterns, including heavy rainfall, and its flat geography makes it particularly prone to flooding. Additionally, prolonged higher temperatures can lead to the spread of waterborne pathogens and harmful algal blooms, threatening the safety of drinking water and recreational waters in the region. MWRD established a Capital Improvement Program (CIP), a multi-year plan to enhance its wastewater and stormwater management capabilities. Projects such as TARP and current capacity enhancements aim to improve stormwater management systems and reduce flooding risks in the Greater Chicago area. About a third of the issuer's \$1.4 billion 2024 budget is allocated to capital improvement projects. Additionally, in

**Second Party Opinion: The Metropolitan Water Reclamation District of Greater Chicago's Capital Improvement Program Bonds, 2024 Series A and B**

2023, MWRD adopted its CAP, focusing on adapting to increased rainfall and urban flooding risks through improved infrastructure, emissions mitigation, and community engagement.

**The organization prioritizes transitioning its infrastructure to mitigate physical climate impacts and address greenhouse gas emissions from fuel and power consumption, biogenic sources, and water treatment processes.** A large portion of the issuer's emissions (CO<sub>2</sub>e) stem from nitrous oxide and methane emitted from wastewater treatment plants and discharged water. We note biogas from waste digesters is beneficially reused to heat treatment tanks, comprising about 25% of the entity's energy requirements in 2021, and reducing the need for additional purchased fuel. While scope 1 emissions from fuel consumption are a relatively small share of emissions, purchased electricity to power pumping systems and machinery contributes a substantial share of emissions. The issuer is working to reduce scope 2 emissions through purchased renewable energy, which comprised 17.5% of power in 2021. The issuer aims to reduce greenhouse gas emissions by 28% by 2025 from a 2005 baseline; as of 2023, MWRD achieved a 36% reduction towards this goal, and set an ambitious goal of achieving 80% reduction in emissions by 2050.

**The issuer plays a critical role in communities as a protector of public health, and MWRD actively engages the community.** This engagement aims to foster collaboration, enhance transparency, and address local water management challenges, including drinking water quality, while ensuring residents' needs and concerns are heard and addressed. The issuer holds regular public meetings and workshops to inform residents about ongoing projects, gather feedback, and educate the community on water management issues. The focus is on building awareness within communities to reduce pollutants entering water bodies, maintain water quality of water streams, and respond to flooding events. MWRD's wastewater and stormwater management projects not only ensure quality water for neighboring communities but also provide protection against acute weather events, with some projects specifically targeting underserved communities.

## Alignment Assessment

This section provides an analysis of the transaction's alignment to Green Bond Principles.

### Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

#### ✓ Use of proceeds

We assess all the transaction's green project categories as having a green shade, and the issuer commits to allocating the net proceeds issued under the transaction exclusively to eligible green projects, contributing to specific environmental goals. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

#### ✓ Process for project evaluation and selection

MRWD's Board of Commissioners reviews, approves, and adopts capital projects, and is guided by the issuer's strategic plan. The issuer has processes to identify and manage environmental and social risks related to eligible projects. The issuer's 2023 CAP identifies likely climate change impacts, ongoing responses, and priority actions. MWRD is further required to abide by state and federal regulations pertaining to water quality and air emissions.

#### ✓ Management of proceeds

The issuer will track the net proceeds and the proceeds will be in segregated accounts. Pending allocation, net proceeds will be held in securities including those fully guaranteed by the U.S. Government; certain U.S. Government Agency securities; certain short-term obligations of corporations (commercial paper, and similar instruments, in accordance with the issuer's policies).

#### ✓ Reporting

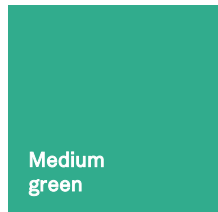
The issuer commits to report annually on the allocation of the net proceeds and on the financed projects' impact until full allocation of the net proceeds. Reporting will be available on the company's website. Allocation reporting will include the total amount of instruments outstanding, a brief description of the projects, and the breakdown of allocation of net proceeds by eligible category. The company will also report on the actual impact of the financed projects, including biosolids monitoring, water quality monitoring, and sewer overflows, in its green bond project expenditure reports.

## Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

### Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in the Metropolitan Water Reclamation District of Greater Chicago's Capital Improvement Bonds, 2024 Series A and 2024 Series B, we assess the transaction Medium green.



Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our [Shades of Green Analytical Approach](#) >

### Green project categories

#### Sustainable water and wastewater management

##### Assessment

Medium green

##### Description

Projects related to design, construction, rehabilitation, and remodeling of new and existing infrastructure for the efficient and sustainable management of wastewater and stormwater including:

- Wastewater collection systems, construction and enlarging of sewer treatment works, wastewater pump stations, construction of pumping stations, tunnels, conduits, intercepting sewers, and outlet sewers.
- Other infrastructure that supports wastewater treatment systems including administrative buildings.


##### Analytical considerations

- Improving the resilience and functionality of wastewater treatment systems is an important aspect of transitioning towards a low-carbon, climate resilient future and maintaining the health of drinking water and aquatic ecosystems. MWRD's combined sewer and stormwater system presents unique challenges in that sewage and stormwater are transported and treated within the same system. MWRD's projects aim to construct, renovate, and upgrade new and existing wastewater treatment facilities across its service area to increase the treatment capacity and quality of the system and reduce instances of contaminated water runoff. We believe the projects will provide material benefits to the region's water management capacity.
- Stringent water quality standards imposed by federal and state governments require that treated wastewater meet certain thresholds for several pollutants before water is returned to the local watershed. While this strong regulatory regime can mitigate instances of water pollution, since MWRD operates a combined sewage and stormwater system, periods of intense precipitation can overwhelm treatment and storage capacity, resulting in discharge of untreated water. Such discharges can contaminate local waterways with nitrogen, phosphorous, biosolids, and various chemical pollutants that can affect aquatic ecosystems and human health. The eligible capital upgrades include biosolids management equipment and aeration ponds, conveyance systems such as sewers and force mains, and pumping stations, among others. These improvements will expand wastewater collection, treatment, and storage capacity, helping to maintain compliance with regulation and reduce potential impacts on the local watershed and communities.
- As MWRD operates in an area with very low water risk, the issuer does not recycle water that it treats, rather it is discharged into local waterways.
- Furthermore, the Chicago Sustainable Development Policy requires municipal buildings to be constructed to LEED Silver standards, which applies to new construction of administrative buildings under the financing.

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- Wastewater treatment systems can result in direct air emissions including methane and nitrous oxides from treatment, treated water discharge, and biosolids processing operations. A portion of such emissions are currently captured by MWRD's digester tanks and beneficially reused to heat treatment digesters and other elements of its facilities, which we view positively. A portion of the issuer's emissions are difficult to abate, such as those from open aeration tanks. Meanwhile, water treatment is also energy-intensive, and many pumps and other machinery utilize purchased electricity and in some cases fossil fuels, in particular for backup systems, resulting in greenhouse gas emissions. The issuer is working to increase purchases of renewable power to reduce scope 2 emissions, which is projected to reach 25% of purchases in 2025 as required by the Illinois Future Energy Jobs Act. While scope 3 emissions are currently not considered under the CAP or the entity's emissions footprint, the entity is researching the emissions associated with purchased goods including chemicals that will be used to help inform procurement of low carbon intensity materials and chemicals, when possible. Furthermore, there is minimal visibility on the lifecycle emissions for the proposed projects, including the long-term transition to renewable power and the potential for embodied greenhouse gas emissions in new infrastructure. MWRD plans to review the feasibility of procurement of low carbon materials when information becomes available at the end of 2026 through a U.S. Environmental Protection Agency program funded by the Inflation Reduction Act.
- The projects in this category are designed in conjunction with climate adaptation projects, discussed below, that seek to reduce the impacts of significant precipitation events on the entity's wastewater and stormwater system. While physical climate risks remain, the issuer's CAP and capital investments are intended to mitigate such risks while simultaneously improving the performance of the system.







**Climate change adaptation and resilience**

Assessment	Description
 <b>Medium green</b>	Flood defense systems including runoff control systems, tunnels, pumping stations, and storage reservoirs.

**Analytical considerations**

- The projects within the issuer's stormwater management program and TARP are central elements of long-term climate adaptation and resiliency for the Chicago area. The region has long been affected by flooding and resulting sewer overflows; in the 1960s, such overflows occurred an average of 100 days a year. The TARP system and other system improvements have since reduced these instances to about 50, while the system currently eliminates about 85% of the pollution load attributable to combined sewer overflows. While a significant improvement, these values show the vulnerabilities of the system. As climate change alters the hydrological cycle, changes to the volume, frequency, and intensity of precipitation are expected to continue. The issuer's planned upgrades to the existing overflow capture, transport, and storage systems are a core component of mitigating potential impacts of a changing climate to ensure that it can continue to provide reliable stormwater management services. The financing will help complete a large new reservoir for overflows and stormwater detention reservoirs, levees, and conveyance improvements should mitigate, but not eliminate, the risk of overflows.
- We assess these investments as Medium green given the overall benefits to flood defense. We believe MWRD's adaptation and resilience activities support a low carbon, climate resilient future. Meanwhile, the energy consumption over the project's long lifespan will be considerable, underscoring the importance of transitioning energy supply towards greener alternatives. Additionally, there are unabated embodied emissions in project infrastructure.

S&P Global Ratings' Shades of Green

Assessments					
Dark green	Medium green	Light green	Yellow	Orange	Red
<b>Description</b>					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
<b>Example projects</b>					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration


Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

## Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Sustainable water and wastewater management	 <b>6. Clean water and sanitation*</b>



\*The eligible project categories link to these SDGs in the ICMA mapping.



## Related Research

- [Analytical Approach: Second Party Opinions: Use of Proceeds](#), July 27, 2023
- [FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions](#), July 27, 2023
- [Analytical Approach: Shades of Green Assessments](#), July 27, 2023

## Analytical Contacts

### Primary contact

**Henrik Cotran**  
San Francisco  
+1-415-371-5108  
henrik.cotran  
@spglobal.com

### Secondary contacts

**Alán Bonilla**  
San Francisco  
+1-415-371-5021  
alan.bonilla  
@spglobal.com

**Jennifer Craft**  
Englewood, CO  
jennifer.craft  
@spglobal.com

### Research contributor

**Tanmay Kumbharkar**  
Mumbai

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