



2019 *Legislative Program*



MODERNIZE & SUSTAIN



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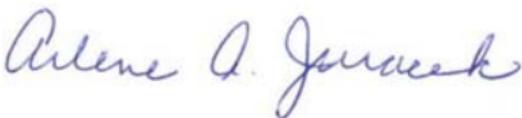
Dear Friend of the Northwest Municipal Conference:

The Northwest Municipal Conference (NWMC) is pleased to present to you our 2019 Legislative Program. In many ways 2019 marks a fresh start for Illinois' government, and we urge lawmakers to seize the opportunity to address the many critical issues facing our state and its communities.

While NWMC communities continue to provide high quality services to our residents and businesses, the 2019 NWMC Legislative Program highlights how the sustainability of those services requires state and federal lawmakers to partner with us to modernize Illinois' infrastructure, its revenue structure and its public safety pension system. The state's infrastructure is a key asset, but without sustainable investment, our roads, water mains and sewers become a liability, hindering economic growth. Similarly, if Illinois cannot break the cycle of relying on local governments to make up funding gaps in the state budget, local government revenues and the critical services we provide will continue to be at risk. Finally, the Conference urges lawmakers to modernize an inefficient and precarious public safety pension system through consolidation.

We look forward to engaging with our lawmakers as governing partners. As President of the Northwest Municipal Conference, I affirm that we stand ready to work with our legislators to meet the challenges facing our communities and state.

Sincerely,

A handwritten signature in blue ink that reads "Arlene A. Juracek". The signature is written in a cursive style with a large initial "A".

Arlene Juracek
President, Northwest Municipal Conference and
Mayor, Village of Mount Prospect

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Modernize Capital Funding to Sustain Our Infrastructure

Address critical infrastructure needs through new investment in a state capital program and increased federal transportation investments.

In 2010, Illinois made a commitment to renew state and local infrastructure. It is time for lawmakers to renew that commitment and address the mounting infrastructure needs facing Illinois and its communities. At the federal level, lawmakers should seek consensus to modernize the transportation network.

Develop a modern transportation revenue system.

Infrastructure investment does not happen without supporting revenue. With clear and compelling infrastructure needs and concrete benefits, lawmakers should advance a modern revenue structure that supports long-term sustainability of Illinois' transportation infrastructure.

Authorize stormwater and wastewater agencies to expand local government assistance programs.

Lawmakers should let regional and local agencies help themselves by authorizing creative assistance programs that provide cost-effective ways for communities and individual residents to address critical water and sewer infrastructure issues.

As the 101st General Assembly begins, lawmakers have an opportunity to address the significant infrastructure needs facing Illinois and its communities. Strong, reliable and modern infrastructure is the back-bone for a healthy economy, making the state attractive to businesses and residents. Unfortunately, it has been nearly a decade since the state enacted a capital bill. This large gap between major capital investment is not new for Illinois. The sporadic investment results in deteriorating infrastructure and higher maintenance

Modernize Capital Funding to Sustain Our Infrastructure

costs. Consequently, infrastructure dollars are spent on repair and triage rather than modernization.

The members of the NWMC face looming infrastructure challenges. Communities that grew out of the post-World War II boom are now facing costly capital projects. Municipalities are faced with replacing water mains, sewers, municipal buildings and transportation infrastructure or continuing with costly and more frequent repairs.

The transportation network continues to be stressed by underinvestment. In Buffalo Grove, the community estimates that \$74 million needs to be dedicated to repairing and replacement roads, sidewalks and other transportation infrastructure over the next ten years. Meanwhile, the Village anticipates that current resources will fall roughly \$50 million short of meeting expected ten-year needs. The City of Highland Park plans to spend over \$20 million over the next decade to maintain its transportation network; however, the City has identified over \$50 million in additional capital infrastructure upgrades including potable watermain improvements. The City maintains 22 vehicular and 5 pedestrian bridges and more than 8 miles of ravines that are in need of maintenance or replacement for a total estimated cost of \$15 million. Several capital projects will need state and federal assistance to be completed prior to complete failure. The region's transportation system relies on partnership of all responsible levels of government.

While residents regularly interact with the transportation network, underground infrastructure is more commonly out of sight and out of mind until sewers are overwhelmed and homes and businesses

Modernize Capital Funding to Sustain Our Infrastructure

flood. For many municipalities, more frequent storm events and water main breaks coupled with increased regulatory scrutiny are pushing water and sewer infrastructure to the forefront. As the region's development density has increased, combined sewers are too often creating basement backups. Even when sanitary sewers are separated, aging public and private sewers are no longer effective at keeping stormwater out of the sanitary system. As communities address these capital demands, some are also faced with the burden of lead water pipes. While taking the necessary measures to mitigate lead exposure, communities are looking to remove the risk altogether. In Skokie, the Village identified a \$27 million shortfall over the next ten years when looking at water main replacement, sewer rehabilitation and replacement, storm system improvements and water meter replacement. If the Village was made to take on replacing private lead sewer lines, it could cost taxpayers an additional \$100 million. From 2019 to 2023, Wilmette is considering spending \$55 million in stormwater improvements. This is in addition to \$49 million that is anticipated to be needed for water distribution and other sewer projects over the next decade.

These costs are significant and place a significant burden on local taxpayers and water rate payers without additional assistance. The state, storm water agencies and municipalities need to partner together to formulate creative solutions. Lawmakers should authorize storm water and wastewater management agencies to better partner with our communities by expanding local government assistance programs.

Modernize Capital Funding to Sustain Our Infrastructure

Infrastructure Challenges Facing NWMC Communities

Buffalo Grove estimates a \$50 million shortfall in its building and facilities costs over the next ten years. The Village is facing the replacement of its police head-quarters, a fire station and public works facility.

Highland Park has identified over \$40 million in transportation related unfunded capital needs. Five bridges are in line for replacement at a total estimated cost of \$15 million; projects that will need state and federal assistance in order to be completed.



Northfield is facing costs of \$23 million to replace water infrastructure that is already past its useful life (80-100 year old water mains).

The stormwater program in Niles does not have enough funding to address approximately eleven recommended mitigation projects that total \$26.6 million.

Modernize Capital Funding to Sustain Our Infrastructure

Lawmakers face similarly dramatic needs to address in the region and state. The Chicago region's aging transit network faces significant maintenance and modernization needs. The Regional Transportation Authority (RTA) estimates an annual investment need of \$3 billion over ten years to achieve a state of good repair. Meanwhile, the Illinois Department of Transportation (IDOT) struggles each year to keep roads and bridges operating and supporting our economy.

Despite these identifiable needs, the Motor Fuel Tax (MFT), the primary transportation funding revenue, has not been increased since 1990 in Illinois and 1993 at the federal level. The effects of inflation and increasing fuel efficiency have caused a significant decline in the purchasing power of MFT revenues. The growth in sales of hybrids and electric vehicles will further exacerbate pressures on this revenue source. Electric vehicles pay no MFT. Transportation users and those that benefit from Illinois' transportation network have been underpaying, and improvements to fuel efficiency only exacerbate that issue. Revenue structures that account for inflation and shifts in vehicle efficiency need to be instituted to modernize transportation and other infrastructure revenues. Any new revenue sources for transportation must take into account current and future changes in technology.

Modernize Revenues to Sustain the Fiscal Stability of Our Communities

Reinstate state collected local revenues at previous levels and make these revenues continuing appropriations outside the annual state budget process.

In future state budgets, state lawmakers should restore local government revenues to their former levels. To provide consistent revenue and stable critical services going forward, state lawmakers should make all state collected local revenues continuing appropriations. This change would be consistent with current state appropriations from the income tax and sales tax.

Modernize the tax system to reflect the current economy.

Lawmakers need to install a revenue structure that accounts for the significant growth in personal expenditures on services and is able to broaden the tax base. Neighboring states have taken this step and Illinois needs to follow suit to sustain revenues.

Require the Illinois Department of Revenue (IDOR) to notify municipalities when an investigation causes the interruption of sales tax distributions.

When revenue distributions are disrupted, local governments are currently left in the dark to make uniformed decisions. The IDOR should amend administrative rules to ensure communication of any interruptions of local tax distributions.

The state has an opportunity to set itself and its municipal partners on stable footing. Modernizing revenues means that Illinois can escape the cycle of budget crises while ensuring that local governments can provide the consistent delivery of critical services to residents.

Modernize Revenues to Sustain the Fiscal Stability of Our Communities

Like every partner in the state, municipalities have struggled through the state's management of these crises. Communities have been forced to absorb repeated cuts to state collected local revenue. The last two state budgets included significant cuts to local government revenues. With the current state budget's passage, NWMC members expect a \$10.5 to 12 million diversion from state collected local revenues after roughly \$18 million was diverted in the last state fiscal year. In addition, communities have had to wait months in some cases for delayed revenue distributions. Ending this fiscal instability will provide the necessary environment for economic development and growth.

Modernizing revenues also means capturing the changes in the 21st Century economy. For instance, since the 1960s, the share of personal expenditures on services has continued to outpace the share of personal expenditures on goods. This economic reality has led other states to broaden the sales tax base beyond goods to include services. Illinois has been discussing the potential of expanding the sales tax to services for years. Lawmakers have the opportunity to implement a modern tax structure that more effectively reflects the modern economy and will assist local governments in providing essential services.

A modern revenue structure is not only about revenue generation and distribution. As governing partners, communication between the state and local governments is vital. The local notification of Illinois Department of Revenue (IDOR) investigations when revenues are withheld may seem like a minor issue; however, this lack of information could force a community to consider increasing other local taxes or cutting services. When a community knows why revenues have dropped, they can more effectively weigh their actions.

Modernize an Inefficient System to Sustain Local Government Pensions

Consolidate public safety pension funds into the Illinois Municipal Retirement Fund (IMRF).

Pension reform options that do not infringe on constitutional guarantees exist. The Pension Fairness for Illinois Communities Coalition is advocating for consolidation of public safety pension funds. While a range of consolidation options exist for lawmakers, the NWMC continues to believe that consolidation into the IMRF, a model pension fund, will result in the lowest transition costs while significantly increasing investment returns.

Clearly define catastrophic injury as one that prevents the injured employee from performing any gainful work following the injury.

Communities have an obligation to provide for injured police and firefighters who are unable to support themselves as a result of their service. Unfortunately, the catastrophic injury loophole consumes limited taxpayer resources. Lawmakers should make the definition of catastrophic injury consistent with federal guidelines.

Illinois lawmakers have an opportunity to modernize public safety pension funds and provide taxpayer relief. The current public safety pension situation demands creative thinking. Past pension enhancements and political decisions to “kick the can down the road” have resulted in a struggling pension system, even during one of the longest periods of economic growth in the country’s history. The antiquated system suffers from significant inefficiencies, which are exacerbated by the over 650 individual public safety pension funds.

This fragmented system has negative results for local taxpayers, especially property taxpayers. Each public safety pension fund has their own board, their own

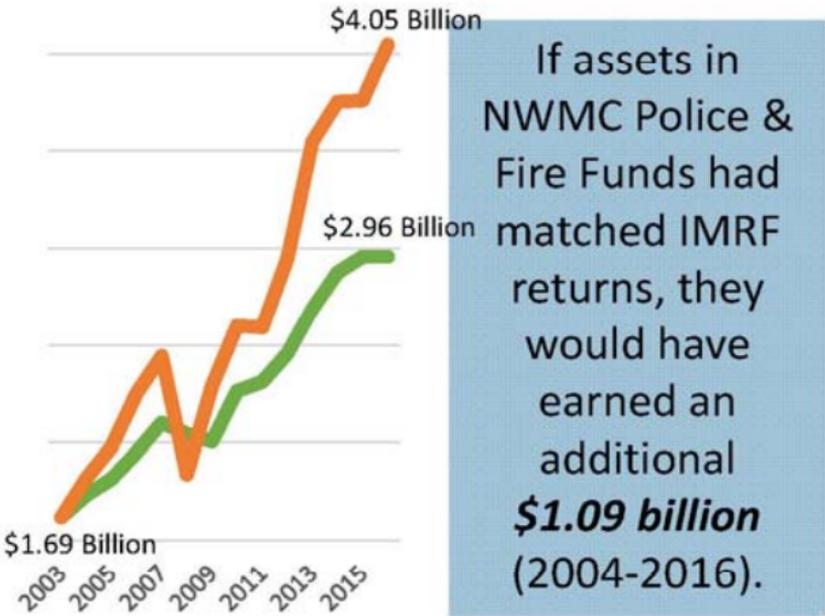
Modernize an Inefficient System to Sustain Local Government Pensions

training requirements and their own investment personnel. The operational expenses for the individually administered public safety pension funds greatly exceed those of their consolidated counterpart, the Illinois Municipal Retirement Fund (IMRF). For each pension fund participant, annual operating costs are over three times higher (or over \$1,000 higher per participant) in public safety pension funds compared to IMRF. With over 33,000 firefighter and police participants, the annual cost difference is \$33 million. This is a cost that is needlessly borne by taxpayers, and a cost that threatens the stability of pension funds.

Furthermore, fragmented public safety funds fail to fully capture the economic growth in their investment returns. Looking back at the last dozen years of available data (2004-2016), the public safety pension funds of NWMC members had an average annual investment return of 5.13 percent. Over those dozen years, if assets in NWMC public safety pension funds would have matched IMRF's average annual investment return of 8.02%, they would have grown by an additional \$1.09 billion. What would have \$1.09 billion meant for the health of these pension funds and the burden on local taxpayers? Without raising a single tax or fee, the 2016 unfunded liability in NWMC funds of \$2.01 billion would have been more than halved to \$922 million. Without changing a single benefit of police and firefighters, NWMC funds would have gone from 61.03 percent funded to 82.13 percent funded. Instead of enjoying this alternate consolidation history, taxpayers in NWMC communities contributed \$1.34 billion to public safety pension funds from 2004 to 2016 with little discernable progress towards fund sustainability.

Modernize an Inefficient System to Sustain Local Government Pensions

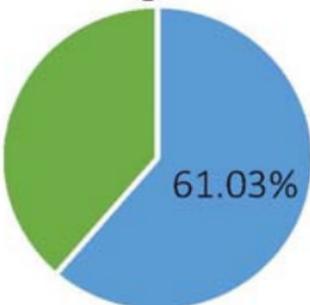
What if NWMC Police & Fire Pension Funds had been consolidated in 2004?



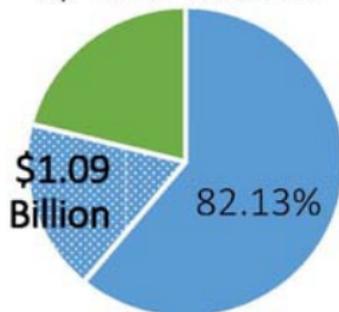
What does \$1.09 billion mean?



2016 NWMC Funding Percent



2016 NWMC Funding Percent w/ IMRF Returns



Modernize an Inefficient System to Sustain Local Government Pensions

Taxpayers are further burdened by statutory oversights that have resulted in unnecessary and adverse benefit decisions. The Public Safety Employment Benefit Act (PSEBA) provides lifetime health insurance benefits to employees who suffer catastrophic injuries; however, the absence of a workable definition of catastrophic injury in Illinois leaves taxpayers liable for long-term payments for injuries that often fall far short of catastrophic and debilitating. Municipalities that must pay PSEBA benefits experience a dramatic fiscal impact that reduces available resources for other community needs. A single PSEBA claim can leave taxpayers liable for over \$1 million in lifetime health insurance premiums for themselves and their dependents for life. The lack of a catastrophic injury definition allows an employee who may be unable to continue active duty but is fully capable of returning to the workforce in another capacity to collect taxpayer provided health insurance.

At a time when NWMC communities face over \$2 billion in unfunded public safety pension liabilities and local taxpayers grapple with ever increasing actuarially required contributions, the state cannot afford to continue operating an antiquated, inefficient system. Lawmakers have an opportunity to adopt measures that would modernize the public safety pension system and place it on a path to long-term sustainability. There is no quick-fix to the pension problems that have lingered; however, consolidation of pension funds will increase investment returns, significantly reduce administrative costs and limit the property tax burden all while not encroaching on constitutional protections. Appropriately defining catastrophic injuries will right-size benefit determinations. Such measures to modernize our public safety pensions will not only provide relief for taxpayers, but also ensure that these pension funds are sustainable for our public safety personnel.

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64th House District

Allen Skillicorn
66th House District

Kathleen Willis
77th House District

NWMC Contact Information

The Northwest Municipal Conference is committed to working with our State and Federal elected officials to advance legislation that supports local government. Please feel free to contact us to further discuss the initiatives contained in our 2019 Legislative Program or any other issues that are of importance to local governments.

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About the NWMC

Founded in 1958, the Northwest Municipal Conference serves to strengthen communities and foster intergovernmental cooperation throughout the north and northwest suburbs of Chicago. Our membership of forty-three municipalities and one township represents over 1.3 million Illinois residents and covers over 300 square miles in Cook, DuPage, Kane, Lake and McHenry counties.

Our organization provides numerous services to our membership with a primary focus on three areas: legislative advocacy; transportation and environmental planning; and, operation of the Suburban Purchasing Cooperative (SPC).

The NWMC is registered as a 501(c)(3) not-for-profit organization and is primarily supported through membership dues, planning grants and enterprise revenues.

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