

**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION**

KATHRYN FARMER, Individually, )  
and as Representative of a Class of )  
Similarly-Situated Persons and Entities, )  
 )  
Plaintiff, )  
 )  
CITY OF CHICAGO, an Illinois )  
Municipal Corporation, )  
 )  
Defendant. )

Case No. 2021 CH 04583  
Judge Allen Price Walker

Jury Demanded

**PLAINTIFF’S PRELIMINARY OUTLINE OF THE EVIDENCE SUPPORTING  
COUNTS IX AND X OF PLAINTIFF’S FOURTH AMENDED COMPLAINT**

Plaintiff submits the following preliminary outline of the evidence adduced to date which supports Plaintiff’s Unfair Discrimination claims and Exorbitant Rate claims in Counts IX and X of Plaintiff’s Fourth Amended Complaint (the “FAC”).

This preliminary outline is based on data, facts, and testimony developed thus far through discovery. In some areas, the outline is incomplete because the City of Chicago (“the City”) has not yet produced all of the documents and information that are the subject of Plaintiff’s outstanding discovery requests, and/or discovery is still ongoing with respect to the claims asserted in Counts IX and X. Plaintiff will amend this evidence outline as discovery progresses and additional information becomes known.

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## EXECUTIVE SUMMARY

### **A. THE NATURE OF PLAINTIFF'S CLAIMS**

This is an action challenging a variety of unlawful charges the City imposes and collects from citizens whose properties in the City receive water and sewer services from the City. The City foists these illegal exactions upon its water and sewer customers in the City in order to collect—and then divert—hundreds of millions of dollars to general municipal purposes having nothing to do with providing water and sewer services.

Even worse, the City also exempts tens of thousands of water and sewer customers from payment of water and/or sewer charges, which forces the non-exempt customers to pay more to cover the City's costs of providing water and sewer services to the exempt customers. The most egregious of these exemptions is the so-called "Senior Sewer Exemption," pursuant to which sewer users who are 65 or over and own and reside in their homes pay NOTHING for sewer services.

In addition to violating common law prohibitions against rate discrimination, the Senior Sewer Exemption constitutes racial discrimination against African-Americans and other minorities in the City. Because the Senior Sewer Exemption is based upon home ownership, the sewer customers in Chicago who qualify for the Senior Sewer Exemptions are overwhelmingly white. Here are some of the findings from a DePaul University study concerning Cook County "older adults" – *i.e.*, persons 65 years of age and older – published in 2021 (the "DePaul Study") (Exhibit 1.G hereto):

- "Nationally, older adults have the highest homeownership rates compared to any other age group, yet similar to the broader population, racial disparities persist. Black and Hispanic older adults have lower rates of homeownership than white older adults, and these gaps have grown since the Great Recession." DePaul Study, p. 2.
- "Older adult homes of color have lower incomes than white older adult households." *Id.* at p. 5.
- Approximately 23% of Chicago households headed by white people have incomes less than 30% of the Area Median Income ("AMI"), but over 43% of Chicago households

- headed by African-Americans have incomes less than 30% of the AMI. *Id.* at p. 6, fig. 6.
- “As of 2019, the majority of Black and Hispanic older adult households rent their homes.” *Id.* at p. 9.
  - **72% of white people 65 or over in Chicago own their homes.** *Id.* at p. 10, fig. 15.
  - **Only 47% of African-Americans 65 or over in Chicago own their homes.** *Id.*

In sum, in addition to constituting unreasonable rate discrimination, the City’s Senior Sewer Exemption favors white senior sewer users and thus has a clear disparate impact on African-Americans and other minority citizens.

**B. THE CITY’S OVERCHARGES RESULTING FROM ITS UNFAIR RATE DISCRIMINATION AND INCLUSION OF EXPENSES IN ITS WATER AND SEWER RATES THAT ARE UNRELATED TO PROVIDING WATER AND SEWER SERVICES.**

Pursuant to: (a) governing water and sewer rate-making principles, (b) the City’s ordinances, and (c) common law, the City may not treat its proprietary water and sewer funds as piggy-banks that finance the City’s general governmental obligations. Simply put, the City is **required** to charge its water and sewer customers **only** for the water and sewer services and use the resulting revenues only for water and sewer purposes. *See* City Ordinance Section 3-12-010, City Ordinance Section 11-12-260.

Each year, the City purports to determine how much it must spend to provide water and sewer service to residents and businesses. This is the City’s water and sewer “Revenue Requirement.” The City uses this Revenue Requirement as a starting point for setting its Water and Sewer Rates (hereinafter, sometimes simply referred to as the “Rates” or the “Charges”).

In this case, Plaintiff alleges that the City has improperly and unlawfully set its Revenue Requirement too high because the City is: (1) collecting more money than it needs to provide water and sewer service (*i.e.*, more than its actual Revenue Requirement), and (2) collecting that money from too few people, which necessarily overburdens the people who pay for the benefit of the people who

do not pay, without any legal justification for determining who pays more and why.

The City's actions have resulted in massive overcharges to its citizens for these most essential municipal services. **Through 2025, the overcharges exceed \$1.3 Billion.**

**C. IN ITS JULY 11, 2025 OPINION AND ORDER, THE COURT EFFECTIVELY HELD THAT, IF PLAINTIFF CAN PROVE HER ALLEGATIONS, PLAINTIFF MUST PREVAIL.**

On July 11, 2025, the Court issued a Memorandum Opinion and Order ("July 11 Opinion") (Exhibit 1.B hereto) denying the City's 2-615 Motion to Dismiss Plaintiff's FAC and adopting the legal standards that the Court ultimately will apply in deciding the claims on the merits.

With respect to the Unjust Discrimination claims, the Court expressly adopted the *Austin View* standard, stating:

Under Illinois law, utility rates must be reasonable and not unjustly discriminatory. While municipal utilities are not subject to the Illinois Public Utilities Act, common law principles governing rate reasonableness and discrimination remain applicable. As the court in *Austin View* explained, "whether there has been discrimination in the application of water rates is a question of fact to be determined from the evidence presented." *Austin View*, 85 Ill. App. 3d at 95. The court also noted that rate differentials are not impermissible per se, but "must be supported by differences in the cost of furnishing the service." *Id.* [July 11 Opinion at p. 3.]

In assessing Plaintiff's allegations, the Court stated that the "**structure described – a zero or discounted rate applied to some, while others pay full cost – is precisely the sort of economic preference that courts have found to be potentially unlawful under common law standards.**"

July 11 Opinion at p. 3. (Emphasis added, *citing* FAC ¶ 43). The Court recognized that "the central inquiry" required by *Austin View* – *i.e.* to assess "whether similarly situated customers are charged differently without cost justification – applies equally here." *Id.*

While the City's motion was directed only against the pleadings, the Court's ruling makes clear that the Court has adopted the legal standards Plaintiff claims govern (and which will govern throughout the case). Plaintiff already has developed overwhelming facts to satisfy these legal

standards.

First, for the reasons discussed in Section I below, the City concedes that its Exemptions are not cost-based, which deals the death knell to any defense to that claim.

Second, the evidence supporting the Exorbitant Rate claims plainly suffices to satisfy the legal standard the Court held applied to such claims. In its Opinion, the Court observed that “Illinois courts have consistently held that municipal utility rates must reflect reasonable compensation for services rendered,” and that “the ultimate question is whether the rates charged the plaintiffs are reasonably related to the cost of service.” July 11 Opinion at p. 5 (quoting *Village of Niles v. City of Chicago*, 201 Ill.App.3d 661 (1<sup>st</sup> Dist. 1990)).

Applying this standard, the Court held that the FAC amply stated claims for Exorbitant Rates.

For example, the Court stated:

The magnitude of the alleged overcharges – more than \$40 million annually in indirect costs alone, plus substantial pension over-allocations – far exceeds what might reasonably be attributed to reserves or returns on investment. Plaintiff alleges that the rates generate over \$100 million in surplus annually, suggesting not incidental misallocation but systemic overcharging for unrelated City obligations. [July 11 Opinion at p. 6 (Exhibit 1.B hereto).]

*See also Id.* (“Allegations that revenues have been siphoned to the City’s Corporate Fund or to pay general pension obligations bolster the claim that the rates are not grounded in legitimate cost recovery”). The Court ultimately concluded:

Count X of the Fourth Amended Complaint adequately pleads a cause of action for exorbitant and unreasonable rates. **Plaintiff has alleged that the rates, as established in 2016 and perpetuated thereafter, include cost factors – such as overstated indirect costs and disproportionate pension allocations – that collectively impose a burden far beyond the legitimate cost of service.** The use of recent data does not undermine the claim because the FAC tiers the overcharges to the original rate-setting period and uses current figures illustratively.

Whether the City can justify these charges will depend on the evidence presented later in the case. **But at the pleading stage, Plaintiff’s detailed and data-driven allegations are sufficient.** Accordingly, the City’s motion to dismiss Count X is denied. [July 11 Opinion at p. 6 (emphasis added).]

Now that the City has exhausted its attempts to obtain a summary dismissal of the case, the City will have to defend the case on the merits—which it cannot do. The City cannot “justify” the Overcharges. Discovery has confirmed that, in allocating indirect and direct costs to the City’s Water and Sewer Funds, the City is not merely sloppy, but instead has engaged in a systematic and willful effort to pack its Water and Sewer Rates with hundreds of millions of expenses that are either: (1) wholly fictitious, or (2) completely unrelated to the City’s actual costs of providing water and sewer services, or (3) both. The City transfers the excess revenues generated by its illegal practice to the City’s Corporate Fund, to finance expenses unrelated to its provision of water and sewer services.

The City’s cost allocations are so indefensible that Maximus, the outside consultant which prepares the City’s cost allocation plans, has taken full flight from its own allocations, testifying that the City simply spoon-fed to Maximus many of the critical expense allocations, and worse, Maximus failed to independently verify the data provided by the City. *See* discussion below at § II(C)(2), § II(C)(3), and § II (I).

The full extent of these known overcharges is described in Section II below. However, here are just a few prominent examples of the City’s unlawful inflation of the Water and Sewer Revenue Requirement and the Rates:

- The City regularly included \$13 million per year in the Water Fund budget for payments to the Metropolitan Water Reclamation District (the “MWRD”) for sewage disposal services provided to the City’s two water plants, even though the City **knows** that those payments have historically been less than \$3 million per year. *See* discussion at Section II (H) below. These bogus expenses—confirmed by the City’s own documents and documents supplied by the MWRD—caused overcharges to the City’s water customers of over **\$22 million** between 2017 and 2024;
- The City charges the Water and Sewer Funds in excess of \$2 million per year, purportedly to recover the expenses incurred by the “Finance Committee” of the City Council to process workers’ compensation claims of Water and Sewer employees. Since 2019, however, the City outsourced the processing of workers’ compensation claims to an outside firm, Gallagher Bassett, and therefore the Finance Committee no longer performed the processing. Unfortunately, the City’s cost allocation consultant, Maximus,

had no idea that the City outsourced this activity in 2019 and therefore it continued through the present day to allocate these phantom “Finance Committee” expenses to the Water and Sewer Fund. This was particularly egregious because the Water and Sewer Funds separately pay Gallagher Bassett directly for workers compensation claims processing services. *See* discussion at Section II (D) below; and

- The City charges the Water and Sewer Fund in excess of **\$85 million** per year for indirect “services” purportedly provided by the City’s Police and Fire Department to the Water and Sewer Fund. These charges are based upon Maximus’ allocation of those expenses in its full CAP. These charges are completely arbitrary and capricious, however, because they are completely untethered from any proper allocation methodology. For example, Maximus has no idea what “services” are provided by the City’s Police and Fire Department to the Water and Sewer Funds and no idea whether the methodology it has employed to allocate these costs to the Water and Sewer Funds results in a fair allocation of the value of any services provided by the Police and Fire Departments to the Water and Sewer Funds. *See* discussion at Section II (C) below.

The overcharges to date are massive and, because the City refuses to seriously evaluate and change its unlawful practices, the overcharges apparently will continue during the pendency of this case, further increasing the City’s already monumental financial exposure. A summary of the overcharges to water and sewer users in the City to date appears below:

**SUMMARY OF OVERCHARGES TO CHICAGO USERS**

**A. 2017-2025 RATE DISCRIMINATION CLAIMS**

1. Water Exemptions – \$96,444,273
2. General Sewer Exemptions – \$87,929,667
3. Senior Sewer Exemptions – \$209,827,381

**Total 2017-2025 – \$394,201,321**

**B. EXCESSIVE COST ALLOCATION CLAIMS**

1. 2017-2025 Indirect Allocations – **\$681,001,734**
  - a. Police-General and Fire-General – \$578,557,508
  - b. Finance Committee – \$11,364,382
  - c. Fleet and Facilities Management – \$33,865,513
  - d. STS-General – \$54,671,831
  - e. Department of Emergency Management – \$2,542,500
2. 2017-2024 Direct Allocations – **\$52,472,326**

**Total 2017-2025 – \$733,474,060**

**C. PENSION OVERCHARGES –**

1. Municipal Fund – Water Fund 2017-2025 – \$95,230,255
2. Municipal Fund – Sewer Fund 2017-2025 – \$49,375,194
3. Laborers Fund – Water Fund 2017-2025 – \$26,151,105
4. Laborers Fund – Sewer Fund 2017-2025 – \$36,174,946

**Total Pension Overcharges 2017-2025 – \$206,931,500**

Total Overcharges to Chicago water and sewer users 2017-2025 – **\$1,334,606,881**

## DETAILED ANALYSIS OF THE EVIDENCE SUPPORTING PLAINTIFF'S CLAIMS

### I. THE UNREASONABLE RATE DISCRIMINATION CLAIMS

#### A. SUMMARY OF THE CLAIMS

The City's Water and Sewer Charges to Plaintiff and the Class have been unreasonably discriminatory because the City has illegally and arbitrarily exempted various types of similarly-situated water and sewer customers (owning or occupying tens of thousands of properties serviced by the City's water and sewer system) from their obligation to pay the City's Water and/or Sewer Charges (the "Exempt Customers"). This practice has resulted in dramatically higher Rates and Charges being assessed against Plaintiff and the Class (a/k/a the "Non-Exempt Customers"), who are not exempt from payment (the "Unjust Discrimination Claims" a/k/a the "Unreasonable Discrimination Claims"). Because of the Exemptions, Non-Exempt Customers collectively pay over \$40 million more per year for water and sewer services than they would pay in the absence of the Exemptions.

#### B. THE LEGAL STANDARD APPLICABLE TO THE UNLAWFUL DISCRIMINATION CLAIMS.

In *Austin View Civic Ass'n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 40 Ill Dec 164; 405 NE2d 1256 (1980) (Exhibit 1.A hereto), the Court described the role of courts in policing the rates and charges imposed by municipal utilities. The Court observed that municipal utilities are precluded from engaging in "unreasonable discrimination in rates or manner of service:"

When a municipal corporation owns and operates a water system for the purpose of selling water to consumers, it is acting in a business capacity and is generally to be treated as if it were a private utility company. (*Baltis v. Village of Westchester* (1954), 3 Ill. 2d 388, 121 N.E.2d 495; *Village of Niles v. City of Chicago* (1980), 82 Ill. App. 3d 60, 401 N.E.2d 1235.) The business of supplying water belongs to that class of enterprises upon which the public interest is impressed. (*City of Chicago v. Northwestern Mutual Life Insurance Co.* (1905), 218 Ill. 40, 75 N.E. 803; *Village of Niles v. City of Chicago* (1980), 82 Ill. App. 3d 60, 401 N.E.2d 1235.) **At common law, such an enterprise, because it had a monopoly on the service provided in the area, was prohibited from charging exorbitant rates and was required to serve all of its consumers without unreasonable discrimination in rates or manner of service. ... Though there is no statute that prevents municipal corporations that operate public utilities**

**from acting in an unreasonably discriminatory manner, there is still the common law duty that prevents them from doing so.** [85 Ill. App. 3d at 94-95 (emphasis added).]

Illinois has a long-history of prohibiting “unreasonable rate discrimination” by municipal utilities—*i.e.*, the charging of different rates to similarly-situated customers—a practice that has the effect of forcing one group of utility customers to subsidize the costs associated with servicing other customers. Rate discrimination is unreasonable unless the **“difference in rates is reasonably related to a difference in the costs of providing the service.”** *Austin View Civic Ass’n v City of Palos Hts*, 85 Ill App 3d 89, 94-95; 405 NE2d 1256 (1980) (emphasis added). *Austin View* described the governing standard as follows:

When it comes to the extent of plaintiffs’ protection under their common law right, our supreme court has noted that consumers of municipally owned utilities “are just as completely protected from exorbitant rates and unjust discrimination as the consumers are under the Public Utilities Act [Ill. Rev. Stat. 1977, ch. 111 2/3, par. 1 *et seq.*].” (*Springfield Gas & Electric Co. v. City of Springfield* (1920), 292 Ill. 236, 252-53, 126 N.E. 739, 746.) Thus, the test to be applied in determining whether there has been a violation of plaintiffs’ common law right is the same test used to determine whether a privately owned utility company is acting in an unreasonably discriminatory manner in violation of the Public Utilities Act when it charges different rates to different consumers.

When a privately owned utility is charged with unreasonable discrimination in rates, the test used for deciding the validity of the difference in rates is to determine whether the difference is reasonable, and not arbitrary, **based on a consideration of such factors as differences in the amount of the product used, the time when used, the purpose for which used, or any other relevant factors reflecting a difference in costs.** (See *Citizens Utilities Co. v. Illinois Commerce Com.* (1971), 50 Ill. 2d 35, 276 N.E.2d 330; *City of St. Charles v. Illinois Commerce Com.* (1961), 21 Ill. 2d 259, 172 N.E.2d 353.) **If the difference in rates is reasonably related to a difference in the costs of providing the service, there is no unreasonable discrimination.** [85 Ill. App. 3d at 98-99 (emphasis added).]

Further, the Illinois courts have held that exemptions can support an unreasonable discrimination claim. In *Shortino v. Illinois Bell Tel. Co.*, 207 Ill. App. 3d 52, 565 N.E.2d 170 (1<sup>st</sup> Dist. 1990), the Court held that a telephone company unreasonably discriminated against its monthly billed customers in favor of coin operated pay phone users by spreading a city message tax applicable to

both types of customers on the bills of **only** the monthly billed customers. In other words, the monthly billed customer paid both the taxes applicable to them and the taxes applicable to the pay phone users. Applying Section 9-241 of the PUA, the Court held:

Additionally, section 9-241 of the PUA prohibits unreasonable differences in charges between customers or classes of customers (Ill. Rev. Stat. 1987, ch. 111 2/3, par. 9-241; *City of St. Charles v. Illinois Commerce Comm'n* (1961), 21 Ill. 2d 259, 264, 172 N.E.2d 353, 355-56.) **Plainly, the shifting of pay phone users' tax burden onto monthly billed customers discriminates against billed customers in violation of section 9-241 of the PUA.** [207 Ill. App. 2d at 60 (emphasis added).]

In its July 11 Opinion denying the City's 2-615 Motion to Dismiss Plaintiff's Fourth Amended Complaint ("FAC") (Exhibit 1.B. hereto), the Court expressly adopted the *Austin View* standard, stating:

Under Illinois law, utility rates must be reasonable and not unjustly discriminatory. While municipal utilities are not subject to the Illinois Public Utilities Act, common law principles governing rate reasonableness and discrimination remain applicable. As the court in *Austin View* explained, "whether there has been discrimination in the application of water rates is a question of fact to be determined from the evidence presented." *Austin View*, 85 Ill. App. 3d at 95. The court also noted that rate differentials are not impermissible per se, but "must be supported by differences in the cost of furnishing the service." *Id.* [July 11 Opinion at p. 3.]

In assessing Plaintiff's allegations, the Court stated that the "**structure described – a zero or discounted rate applied to some, while others pay full cost – is precisely the sort of economic preference that courts have found to be potentially unlawful under common law standards.**" [*Id.* (emphasis added *citing* FAC ¶ 43.)] The Court recognized that "the central inquiry" required by *Austin View* – to assess "whether similarly situated customers are charged differently without cost justification – applies equally here." *Id.*

The Court thus already has ruled that the unlawful discrimination claims stand or fall based upon whether the City has a "cost justification" for the Exemptions. Because the City has admitted that the Exemptions are **not** based on differences in cost to service the Exempt Customers vs. the

non-Exempt Customers, Plaintiff will prevail on her Unjust Discrimination claims.

### C. EVIDENCE OF UNLAWFUL RATE DISCRIMINATION

#### 1. *The City's Admissions In Its Answer to the FAC (Exhibit 1.C Hereto)*

- Answer, ¶ 41 – Admits that it sells water and sewer services in a proprietary, not governmental capacity.
- Answer, ¶ 42 – Admits that the City is subject to the same rules that apply to a privately-owned utility—including the requirement that utility rates be reasonable and not excessive or exorbitant.
- Answer, ¶ 43 – Admits that under Illinois common law water and sewer rates must be reasonable and not excessive.
- Answer, ¶ 52 – Admits that the City has not completed a cost-of-service study for its water and sewer system.
- Answer, ¶ 53 – Contends that the City takes the revenue needed to cover the costs into account in setting the rates.
- Answer, ¶ 56 – Admits that the Water and Sewer Fund expenses are reflected in the City's annual appropriation ordinances.
- Answer, ¶ 57 – Admits that the water and sewer rates are set at a level that, when taken with the other variables in its revenue-requirement formula, is sufficient to recover its revenue requirement each year.
- Answer, ¶ 58 – Admits that Ordinance Section 2-12-010 provides that “the revenues of the sewer revenue fund shall be reserved and utilized exclusively for the operation, maintenance, rehabilitation or reconstruction of the sewer system.”
- Answer, ¶ 67 – Admits that the “City Council may take action at any time to alter the then-current schedule of water rates.”
- Answer, ¶ 181 – Admits that “the treated water provided to the Exempt Customers is of the same quality as the treated water provided to Non-Exempt Customers.
- Answer, ¶ 198 – Admits that “Section 3-12-020 provides total and partial exemptions from payment of sewer charges to certain customers who are also exempt, totally or partially, from payment of water charges.”
- Answer, ¶ 199 – Admits that “Section 3-12-050 totally exempts qualified sewer customers 65 and over from payment of the Sewer Charges” and that “in order to receive the Senior Sewer Exemption, a person must (1) be 65 years of age or older, (2) be the owner of the residential unit receiving sewer service, (3) occupy the residence as his or her principal place of residence and (4) have a residence with a separate water meter or assessed account.”
- Answer, ¶ 203 – Admits that “Exemptions for Sewer Charges are not based on costs.”

- Answer, ¶. 216 and 217 – Admits that the Exemptions are not based on a difference in costs.
- Answer, ¶ 219 – Admits that Public Utility Act prohibits rate discrimination.
- Answer, ¶ 223 – Admits that it incurs costs to provide water and sewer services to all its customers, including customers exempt from water or sewer charges.
- Answer, ¶ 224 – Admits that the water and sewer exemptions were in place before June 2016, that the exemptions from water charges have been in place since at least 2012, and that the exemption provided by Section 3-12-050 have been in place since at least 2014.

## *2. Other Evidence Supporting The Unfair Discrimination Claims*

- Of a total of 494,274 current sewer accounts, over 60,000 sewer customers of the City receive the Senior Sewer Exemption. *See* Exhibit 1.D. hereto (Exhibit 2 to Plaintiff's SJ Br. at p. 26); Exhibit 1.E hereto (Exhibit 5 to Plaintiff's SJ Br.). As a result of the Senior Sewer Exemption, 434,268 “revenue paying” sewer customers pay to finance sewer service to 494,274 sewer accounts. *See* Exhibit 1.D at p. 26.
- Of a total of 494,274 water accounts, over 6800 accounts receive a total or partial exemption from water and sewer charges. *See* Exhibit 1.E hereto.
- The City’s ordinance requires the City to maintain records showing the sewer usage of the Exempt Customers and the amount the Exempt Customers would have been required to pay in the absence of their Exemptions. *See* Ordinance 11-12-540(d) (Exhibit 1.F. hereto)(Exhibit 3 to Plaintiff's SJ Br.) (“Accounts against the property of any entity exempted under the provisions of items (1), (2), (3), (4), (5), (6), (7) or (8) of subsection (a) of this section shall be kept in the usual manner”). The City in fact maintains those accounts as required by the Ordinance and created Exhibit 1.E to summarize the accounts of the Exempt Customers, including the Exempt Senior Customers. Exhibit 1.E. confirms that, by keeping the accounts of the Exempt Properties in the “usual manner,” the City “bills” the Exempt Properties **at the very same rate** that it charges non-Exempt properties, proving that there is **no difference in costs** of providing the service to the Exempt Customers
- The magnitude of the Senior Sewer Exemption and its impact on the disfavored customer class cannot be overstated. Using 2021, as an example, the City’s Sewer Rate was \$30.79 per MCF. City Ordinance Sec. 11-12-310 (Exhibit I.F. hereto). One MCF (1000 cubic feet) equals 7480 gallons. Using the 2021 Exemption value of \$24,557,102 (Exhibit I.E. hereto), in 2021 the Exempt Senior Users generated 797,567 MCF of sewage (\$24,557,102 divided by the Sewer Rate of \$30.79 per MCF). A simple mathematical calculation confirms that 797,567 MCF x 7480 gallons per MCF = **5.97 BILLION gallons of sewage per year generated solely by the Exempt Senior Users.**<sup>1</sup>

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<sup>1</sup> To get an idea of how much sewage this is, consider this: 6 billion gallons is sufficient to create a (very smelly) lake 10 feet deep and covering 2.88 square miles in area. This would be an area roughly

Obviously, the City incurs significant costs to collect and convey that 5.97 billion gallons of sewage each year. The City admits that in 2021 this cost was about \$24 million, because that is the value of the Exemption. But the people who generated that sewage do not pay the City for sewage disposal, and the City does not absorb this cost. Instead, that \$24 million in costs is covered by other rate-payers, resulting in an unlawful subsidy from the rate discrimination.

**D. UNFAIR DISCRIMINATION OVERCHARGE CALCULATIONS 2017-2025 – BASED ON CITY DOCS D044526-D044534 (EXHIBIT 1.E HERETO)**

**1. 2017**

Water Exemptions – \$19,789,872. 50% City Customers – \$9,894,936.46<sup>2</sup>  
General Sewer Exemptions – \$8,351,955.12  
Senior Sewer Exemptions – \$25,919,114.83  
Total for City Customers – **\$44,166,006.40**

**2. 2018**

Water Exemptions – \$19,141,084.40. 50% City Customers – \$9,570,542.22  
General Sewer Exemptions – \$8,400,958.41  
Senior Sewer Exemptions – \$25,604,216.19  
Total for City Customers – **\$43,575,716.80**

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twice the size of New York’s Central Park, as determined by the following well-established mathematical formula: Area (in square feet) = (volume (cubic feet)/depth (feet). To convert gallons to cubic feet, one merely multiplies the total gallons by 0.133681. Here, 6 billion gallons x 0.133681 = 802,086,000 cubic feet. The total area assuming the depth is 10 feet is 80,208,600 square feet. Because there are 27,878,400 square feet in a square mile, the total area in square miles is 2.88 (80,208,600/27,878,400). A court may take judicial notice of mathematical laws and formulas that are generally accepted as irrefutable. *Theofanis v. Sarrafi*, 339 Ill. App. 3d 460, 471, 791 N.E.2d 38, 274 Ill. Dec. 242 (2003).

<sup>2</sup> This reduction is warranted because approximately 50% of the water sold by the City is sold to “wholesale” customers outside of the City of Chicago who are not in the Class as defined by Plaintiff. See City’s Answer to ¶ 38 of the FAC (Exhibit 1.C hereto at p. 10) (admitting that Water Fund revenues are “roughly split equally” among City and wholesale users. This means that approximately 50% of the City’s overcharges to the Water Fund are ultimately paid by the citizens of other communities. The other 50% are paid by Plaintiff and the Class. In contrast, all of the sewer charges at issue are paid by citizens of the City.

3. **2019**

Water Exemptions – \$19,096,680.70. 50% City Customers – \$9,548,340.34

General Sewer Exemptions – \$8,063,548.60

Senior Sewer Exemptions – \$17,057,171.22

Total for City Customers – **\$34,669,060.20**

4. **2020**

Water Exemptions – \$14,954,723. 50% City Customers – \$7,477,361.49

General Sewer Exemptions – \$7,348,663.05

Senior Sewer Exemptions – \$21,341,494.25

Total for City Customers – **\$36,167,518.80**

5. **2021**

Water Exemptions – \$17,754,226.70. 50% Customers – \$8,877,113.33

General Sewer Exemptions – \$7,606,708.95

Senior Sewer Exemptions – \$24,557,102.64

Total for City Customers – **\$41,040,924.90**

6. **2022**

Water Exemptions – \$21,432,240.48. 50% City Customers – \$10,716,120.24

General Sewer Exemptions – \$10,942,364.45

Senior Sewer Exemptions – \$22,036,553.61

Total for City Customers – **\$43,695,038.30**

7. **2023**

Water Exemptions – \$27,691,033.23. 50% City Customers – \$13,845,516.62

General Sewer Exemptions – \$11,998,668.91

Senior Sewer Exemptions – \$23,158,831.91

Total for City Customers – **\$49,003,017.44**

8. **2024**

Water Exemptions – \$20,090,315.55. 50% City Customers – \$10,045,157.78

General Sewer Exemptions – \$11,971,465.50

Senior Sewer Exemptions – \$24,172,905.92

Total for City Customers – **\$46,189,529.20**

9. **2025**

Water Exemptions – \$32,938,369.82. 50% City Customers – \$16,469,184.91

General Sewer Exemptions – \$13,245,334.22

Senior Sewer Exemptions – \$25,979,990.90

Total for City Customers – **\$55,694,510.03<sup>3</sup>**

**Total 2017-2025 – \$394,201,322**

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<sup>3</sup> Because the City has only produced the exemption data for 2025 for the period from January 1, 2025 to October 31, 2025, we have annualized those numbers by multiplying them by 6 and dividing by 5.

## II. THE EXORBITANT RATE CLAIMS

### A. SUMMARY OF THE CLAIMS.

The City admits that it “sells water and sewer services in a proprietary, not governmental, capacity, and is subject to some of the same rules that apply to a privately owned utility, including the requirement that utility rates be reasonable and not excessive or exorbitant.” *See* Answer to FAC at ¶ 41 (Exhibit I.C hereto).

The Exorbitant Rate claims challenge the City’s overcharges to Water and Sewer Customers and its improper transfer—without consideration—of tens of millions of dollars of revenues garnered from Water and Sewer Charges to the City’s general Corporate Fund for general governmental use and to two of the City’s pension funds to finance the City’s obligations to those funds. The Exorbitant Rate claims also challenge overcharges that generate revenues that are not transferred to the City’s Corporate Fund, but were instead simply retained as improper and undeserved “profit” in the Water and Sewer Funds (the “Overcharges”). The City accomplishes these Overcharges and misappropriation of Water and Sewer Funds in at least two ways: (a) by grossly over-allocating the alleged direct and indirect (but phantom) costs of other City departments to the Water and Sewer Fund (the “Excessive Cost Allocations”); and (b), by charging the Water & Sewer Funds tens of millions of dollars per year in additional phantom costs to allegedly cover the Water and Sewer Funds’ proportionate share of the City’s total annual contribution to the Municipal Employees’ Annuity and Benefit Fund and the Laborers’ and Retirement Board Annuity and Benefit Fund (the “Pension Overcharges”).

By virtue of the annual inclusion of tens of millions of dollars of these phantom expenses, the City’s Water and Sewer Rates and Charges have been, and continue to be, completely untethered to the City’s actual costs of providing water and sewer services to its citizenry. Collectively, the claims

arising out of the Excessive Cost Allocations and the Pension Overcharges are referred to herein as the “Exorbitant Rate Claims.”

The City’s Water and Sewer Rates have been unreasonable and exorbitant because (1) the City fraudulently allocates the alleged direct and indirect costs of other City departments to its Water and Sewer Fund, recovers those phantom expenses through Water and Sewer Rates and then transfers those monies to other City funds to be used for purposes unrelated to the water and sewer system (the “Excessive Cost Allocations”) and (2) the City overcharges the Water Fund and Sewer Fund tens of millions of additional dollars per year, purportedly to cover the Water Fund’s and the Sewer Fund’s proportionate share of the City’s total annual contribution to the Municipal Employees’ Annuity and Benefit Fund (the “Municipal Employees’ Fund”) and the Laborers’ and Retirement Board Annuity and Benefit Fund (the “Laborers’ Fund”) which overcharges are also incorporated into the Water and Sewer Rates (the “Pension Overcharges”).

#### **B. OVERCHARGES ARE IN THE RATES**

First and foremost, the City’s Water and Sewer Customers pay the Overcharges because the Overcharges are included in the City’s Water and Sewer Rates. Below are the City’s admissions that collectively confirm these important facts:

- The City’s ordinances require the City’s Department of Water Management to prepare an annual budget ordinance setting forth the Rates for the water and sewer service for the coming year. *See, e.g.*, Ordinance Section 11-12-260 (Exhibit 1.F. hereto) (“The department shall ... prepare an ordinance, for submission to the city council, establishing the rates to be charged for water service in the following year”); Ordinance Section 3-12-010 (Exhibit 1.F. hereto) (proving that “the sewer revenue fund shall be supported by sewer usage fees established from time to time by the city council”). The City admits that § 3-12-010 requires that: “The revenues of the sewer revenue fund shall be reserved and utilized exclusively for the operation, maintenance, rehabilitation or reconstruction of the sewer system of the City of Chicago.” City’s Answer to ¶ 53 of the FAC (Exhibit 1.C. hereto).

- Another City Ordinance Section 2-32-180 (Exhibit 1.F hereto) confirms that the improper expenses that form the basis for Plaintiff's Exorbitant Rate claims necessarily are included in the City's Water and Sewer Rates on a prospective basis:

The comptroller shall, on or before the first day of December of each year preceding the year for which the estimates are made, **submit to the city council a report of the estimates of the funds necessary to defray the expenses of the city government during the fiscal year about to begin. He shall in such report classify the different objects and branches of the city expenditures, giving, as nearly as may be, the amount required for each. ...**

He shall, in such report, show the aggregate income of the preceding fiscal year from all sources, the amount of liabilities outstanding upon which interest is to be paid, and of bonds and city debts payable during the coming year, when due and where payable, **together with all such information as may be necessary to enable the city council to prepare and pass the annual appropriation ordinance in the manner prescribed by statute**, and so that the city council may fully understand the money exigencies and demands of the city **for the year for which appropriations are to be made.** [Emphasis added.]

- The City admits rates need to produce revenues necessary to cover the costs of the water and sewer system.” City’s Answer to ¶ 53 of the FAC (Exhibit 1.C. hereto);
- “The City admits that Water and Sewer Fund expenses are reflected in the City’s annual appropriation fund ordinance.” *Id.*, ¶ 56;
- The “water and sewer rates are set at a level that, when taken with the other variables in its revenue requirement formula, is sufficient to recover its revenue requirement each year.” *Id.* ¶ 57;
- “Revenues from the sale of water provide for the operation, maintenance and debt service of the Water System.” *See* Exhibit 2.FF hereto at p. 33;
- “The sewer service charge is established in an amount designed to pay the costs of Sewer System operations and capital improvements, including any related debt service” and “projected operating expenses include “indirect costs being charged to the Sewer Revenue Fund as reimbursements to the General Fund.” *See* Exhibit 2.GG hereto at pp. 26, 31;
- “The Water and Sewer Funds transfer money to the Corporate Fund to cover the indirect costs for services chargeable to the Water and Sewer Funds ...”. City’s Answer, ¶ 243; and
- The amount of indirect cost reimbursements “are determined using Maximus’s reports.” *Id.* at para. 254.

Former City Assistant Budget Director Benjamin Dieterich admitted that the “expenses of the water fund are largely being covered by rates paid by citizens in the city.” *See* Exhibit 2.B, October 9, 2025 Deposition Tx. of Benjamin Dieterich at p. 50:

Q. Okay. Because you’d agree with me that you’d want to be as accurate as possible in your forecasting, correct?

A. We want to be accurate in our forecasting.

Q. All right. Because you understand that these expenses of the water fund are largely being covered by rates paid by citizens in the city, correct?

A. I believe the primary source of revenue for the water fund is water services.

Q. Rates and charges to – and users, correct?

A. Yeah, and users...

Mr. Dieterich testified that he “was involved in forecasting how much revenue the water and sewer funds would be expected to garner through whatever rates were being imposed or other financing sources” and that he was responsible for “allocating certain expenses” as part of that process. *Id.* pp. 14-15. These expenses included indirect expenses and pension expenses. *Id.*

In short, the Overcharges are included as expenses in the budget, the Rates are set to cover budgeted expenditures and, therefore, the Overcharges are in the Rates paid by each and every Non-Exempt Customer.

## **C. THE IMPROPER “POLICE-GENERAL” AND “FIRE GENERAL” ALLOCATIONS.**

### ***1. The Nature Of The Allocations***

Maximus confirmed that the purpose of cost allocations to the Water and Sewer Fund is to “represent the value or cost of the goods or services provided by other departments.” Dep. of Kurt Sames (“Sames Dep.”) (Exhibit 2.C hereto) at p. 53. In order to attempt to determine these values, “consideration is given to determining the measurement that most appropriately demonstrates its relationship to the receiving units.” *Id.* at p. 17. Maximus concedes that “if the wrong statistical measure is used, then it would call into question the validity of the allocation.” *Id.* These concessions doom the City’s “Police-General” and “Fire-General” allocations (and several other allocations) to the

Water and Sewer Funds.

A major reason the City's cost allocations are excessive is because the City allocates tens of millions of dollars of the expenses of its Police and Fire Departments to the Water and Sewer Fund each year in violation of Maximus' own limitations. The methodology used to derive the cost allocations is set forth in certain Full Cost Allocation Plans authored by Maximus, which are separate from the Central Services Cost Allocation Plans.

The Cost Allocation Plans have historically been based on the City's actual financial results and then used to compile future budgets. For example, the Cost Allocation Plans the City used for its 2022 Budget were prepared by Maximus based upon the City's results for 2019. *See* Exhibit 2.D hereto (Exhibit 22 to FAC). The City applies a 2% annual inflation factor to the prior years' numbers in order to reflect presumed increases in costs in later years. *See* Exhibit 2.E hereto (Ex 29 to FAC and Shaikh Dep. (Exhibit 2.F hereto) at p. 81. The City annually transfers to other City funds all or substantially all of the amounts that Maximus determines are allocable to the Water and Sewer Funds. The City admits that the indirect cost allocations for Police-General and Fire-General "were among the costs used to determine amounts to be transferred to the Corporate Fund ...". City's Answer to ¶ 256 (Exhibit 1.C. hereto).

Maximus allocates the police and fire costs to the Water and Sewer Fund based upon the "Plant Value" of the City's water and sewer infrastructure assets as a percentage of the City's "full property value." Using this methodology, the City allocates 1.327% of certain purported Police and fire expenses to the Water Fund and 0.9929% of certain purported Police and Fire expenses to the Sewer Fund. *See* Exhibit 2.D hereto (Ex 22 to FAC) at p. C-639, C-642 and C-736.

For 2019, for example, Maximus allocated \$35.8 million of police expenses and \$13.1 million of fire department expenses to the Water Fund and further allocated \$26.8 million of police expenses

and \$9.8 million in fire expenses to the Sewer Funds. *See Id.* at pp. C-643 and C-737. All or substantially all of these amounts were included in the Water and Sewer Rates, and the revenues derived were actually transferred from the Water and Sewer Funds to the City's Corporate Fund. Because these funds were not restricted, or even earmarked, the City was able to use the monies for general municipal purposes.

Between 2016 and 2022, the City allocated over \$250 million in purported Police-General expenses and \$97 million in purported Fire-General expenses to the Water Fund. During that same time period, the City allocated over \$185 million in purported Police-General expenses and \$71 million in purported Fire-General expenses to the Sewer Fund. *See* KH spreadsheet (Exhibit 2.G hereto). The City continued to incorporate the Police-General and Fire-General allocations into the City's annual budgets after 2022, and therefore the City has continued to incorporate those purported expenses into the City's water and sewer rates through the current date.

The City's allocation of police and fire expenses to the Water Fund and the Sewer Fund is illegal and improper for the following reasons.

***2. The Police-General and Fire-General Allocations Are Improper In Their Entirety***

**a. The General Costs of Government Are Not Properly Recoverable From Enterprise Funds.**

First and foremost, the allocation of **any** police and fire expense to the Water and Sewer Funds is arbitrary and capricious because it is improper ratemaking to allocate the costs of funds or departments which serve the general public to enterprise funds. Maximus itself has recognized this. In a presentation it authored, Maximus included in "unallowed costs," the "General Costs of Government," which are the "costs of other general types of government services normally provided to the general public, **such as fire and police**, unless provided for as a direct cost under a program

statute or regulation.” *See* Exhibit 2.H hereto (Exhibit 23 to FAC).

Maximus concedes that police and fire costs are not allocated in the City’s federally-approved indirect cost allocation plans (used to allocate indirect costs for federal grant purposes) because the federal government forbids it. Sames Dep. (Exhibit 2.C hereto) at pp. 10-11, 40-41. Instead, those costs are allocated in the separate full cost allocation plans, which are not submitted to, or approved by, the federal government. *Id.* at p. 10.

**b. Maximus Concedes That It Has No Idea Whether The Police-General and Fire-General Allocations Reflect The Value Of Services Provided By The Police Department and Fire Department To The Water and Sewer Funds.**

Mr. Sames of Maximus confirmed the following facts in his deposition:

- The City directly bills O’Hare and Midway airports for police and fire expenses. Sames Dep. (Exhibit 2.C hereto) at pp. 54-55.
- Police and Fire expenses are directly billed to O’Hare and Midway airports because the value of the services provided by the Police and Fire Departments can be determined “with enough specificity to make the allocation reliable.” *Id.* at p. 56.
- Sames has never prepared a cost allocation plan for any other governmental entity that have Police-General and Fire-General expenses allocated solely to water and sewer funds. *Id.* at p. 59.
- The Police-General and Fire-General expenses allocated to the City’s Water and Sewer Funds are “material.” *Id.* at p. 60.
- Sames does not know what services are provided by the Police Department or the Fire Department to the Water and Sewer Funds. *Id.* at p. 62.
- Maximus does not look at “the percentage of time the police department has to devote to protecting water fund assets or sewer fund assets.” *Id.*
- Sames does not know whether there are any police or fire assets that are devoted exclusively to the Water or Sewer Funds. *Id.* at pp. 62-63.
- “Police-General” and “Fire General” are “not actual city departments but instead were created for purposes of the cost allocation plans.” *Id.* at p. 63.
- Sames does not know why the allocation statistic for the Police-General and Fire-General expenses was chosen. *Id.* at p. 64.

- When asked “how does this statistic reflect the value of services provided by the police department to the water and sewer fund?” Sames said, “Well, I don’t know that it does.” *Id.*
- Sames confirmed that Maximus “faithfully applied the statistic but did not independently determine whether it was reflective of the value of the services provided by the police department to water and sewer.” *Id.* at pp. 64-65.
- The City, not Maximus, devised the allocation statistic for the Police-General and Fire General expenses, and no one has ever explained to him what the rational for using the allocation statistic was. *Id.* at p. 65.
- Sames does not know “whether this allocation statistic results in a fair value of the services provided by the police or fire departments to the water and sewer funds.” *Id.* at pp. 65-66.

**c. Maximus’ Allocations Do Not Recognize That The Water and Sewer Funds Directly Employ Security Personnel**

Not only have the City and its consultants failed to identify any specific services provided by the Police and Fire Departments to the Water or Sewer Funds, but the Water and Sewer Funds employ dozens of individuals who themselves provide security services to water and sewer assets. This further undermines any contention that the allocations of police and fire expenses are appropriate.

For example, as of 2020, the Commissioner’s Office of the Department of Water Management employed **41 Watchmen and 4 Safety Specialists**. *See* Exhibit 2.I hereto (Dep. Ex. 23) at p. 260. The Maximus cost allocations do not take into account these circumstances.

Sames testified that, if the water and sewer funds had their own security details for water and sewer assets, that fact “might be” relevant if he was going to perform a “ground-up analysis of the value of police services to the water and sewer fund.” Sames Dep. (Exhibit 2.C hereto) at pp. 75-76.

***3. Even If The Allocation Of Some Police And Fire Expense Was Appropriate, The Maximus Allocations Are Grossly Excessive.***

Assuming that the allocation of **some** police and fire expense to the Water and Sewer Funds is appropriate, the City’s methodology for allocating those costs is arbitrary and capricious because it does not result in a fair allocation to the Water and Sewer Funds. This is true for at least two reasons:

(1) the methodology uses a nonsensical assumption about asset values to allocate police and fire expenses to the Water and Sewer Funds and (2) the alleged police and fire expenses allocated to the Water and Sewer Fund are grossly inflated.

a. **The Allocation Statistic Used By Maximus Is Nonsensical Because It Cannot Provide A Reasonable Measure Of The Value Of Any Police and Fire Services Provided To The Water and Sewer Funds.**

Maximus concedes that one of the purposes of a full cost allocation plan is to evaluate “available statistical measurements to establish the most equitable and meaningful basis for allocating each activity within each Central Service Department and that “[c]onsideration is given to determining the measurement that most appropriately demonstrates its relationship to the receiving units.” Exhibit 2.J hereto (Dep. Ex. 34) at p. A-4. Mr. Sames confirmed the foregoing purposes and conceded that “if the wrong statistical measurement is used, then it would call into question the validity of the allocation.” Sames Dep. (Exhibit 2.C hereto) at pp. 16-17.

Here, the allocation statistic Maximus uses to allocate Police-General and Fire-General expenses to the Water and Sewer Funds is nonsensical and cannot possibly provide a reasonably accurate estimate of the value of police and fire services provided to the Water and Sewer Funds. Maximus indicates that the City provided this allocation statistic. There is limited evidence setting forth the reasons why the City chose this allocation statistic, but it appears that it was an attempt to value police and fire services to water and sewer by comparing the value of certain water and sewer physical assets as a percentage of the value of all of the real property in the City of Chicago. Maximum explained the allocation basis as follows:

One important expansion [for the 1988 full CAP] was to include and quantify in detail, the direct and indirect costs that were incurred by the City Department of Streets and Sanitation, the Fire Department, and the Police Department, **since all of these three large City departments provide service to all parts of the City of Chicago; the people, the buildings and facilities, the streets and infrastructure, etc.**

With the inclusion of these three departments in the Full Cost Plan, there was the goal of identifying what costs were being incurred by these departments as they provided indirect service to the Water and to the Sewer departments. **Much of this work would be of a general government nature, not necessarily pertaining to a specific incident, since much of the work done by Streets and Sanitation, Fire and Police benefits the City and its residents in general.** Where work is done that benefits the City's Water and Sewer facilities, infrastructure, etc., an allocation statistic is needed to quantify how much cost should be allocated to these two funds. [MAXIMUS 021413-021423 (emphasis added) (Exhibit 2.K hereto).]

The allocation statistic allocates police and fire expenses to the Water and Sewer Fund based upon the "Water and Sewer Plant Value" as a percentage of full City real estate property value (as determined by the Civic Federation). As of 2022, the Civic Federation determined that the City's full market value was \$388.4 billion. Exhibit 2.M hereto (Dep. Ex. 38) at p. 3. At that time, the Water "plant value" was approximately \$5.8 billion. See Exhibit 2.N hereto (Dep. Ex 26) at p. 40. This roughly correlates to the 1.26% of the total purported Police-General expenses allocated to the Water Fund. But the validity of the allocation statistic therefore is dependent upon, among other things, whether the ratio of the numerator – the Water and Sewer "Plant Value" – to the denominator – the value of all of the real property in the City – is based upon an "apple-to-apples" comparison, but that is not the case for at least two reasons.

First, the numerator and denominator measure two entirely distinct types of monetary value. On the one hand, "Plant Value" of the water and sewer assets includes the value of all of the physical assets of the Water and Sewer Fund. See *Id.* at pp. 40. On the other hand, the Civic Federation data measures the value of real estate assets that are subject to real estate property taxes. See Exhibit 2.M hereto (Dep. Ex. 38) at p. 1 (noting that Civic Federation data represents the "full market value of property" in Chicago and Cook County). Plant value has no correlations with real estate values because plant value includes the value of hundreds of millions of dollars of physical assets – like pipes in the ground – that would not be subject to property taxes. As of 2020, the value of the real property

of the Water and Sewer Funds is just a fraction of their respective “plant values.” *See* Exhibit 2.N hereto (Dep. Ex. 26) at p. 40 (indicating that the value of land and land rights, structures and improvements was just \$614 million of the total plant value of \$5.8 billion).

Mr. Sames gave the following testimony about “plant value,” which is the numerator in the fraction that comprises the basis for the allocation of Police-General and Fire-General expenses to the Water and Sewer Funds:

- Sames does not know where the number for the “plant value” of water and sewer assets comes from. Exhibit 2.C hereto at pp. 87-88.
- Sames does not know “what types of expenses make up the plant value that gets entered into the equation.” *Id.* at p. 88.
- The “plant value” number is given to Maximus by the City, and Maximus does not independently determine that number. *Id.* p. 91.
- Sames doesn’t know whether the plant value is a real estate value, and doesn’t know which of the City’s water and sewer assets would be subject to real property taxes. *Id.* at pp. 92-93.

Second, even if “plant value” were a real property valuation, the denominator still is materially understated because the Civic Federation data does not include the values of billions of dollars of tax-exempt properties. The Civic Federation states that the data – relied upon by Maximus to allocate Police-General and Fire-General expenses – “**does not include state-assessed properties or properties that are exempt from real estate taxes.**” Exhibit 2.M hereto (Dep. Ex. 38) at p. 2 (emphasis added). The Cook County Assessor confirms that there are over **372,000** tax exempt parcels in the City. *See* Exhibit 2.O hereto at p. 3. This exclusion renders the Maximus allocations grossly excessive because the City’s police and fire departments also provide “services” to tax-exempt properties. We don’t yet know the fair market value of the more than 370,000 tax-exempt properties in Chicago, but when the value of tax-exempt properties is added to the denominator, the resulting allocations to the Water and Sewer Funds necessarily would have been materially lower.

Mr. Sames gave the following testimony about the denominator:

- The City's full property value comes from the Civic Federation data, which Sames assumes reflects real estate property values. Exhibit 2.C hereto at p. 74
- Sames has never investigated what the Civic Federation data includes. *Id.* at p. 83.
- Sames concedes that, the higher the denominator in the allocation statistic (City property values), the lower the resulting allocation of Police-General and Fire General expenses. *Id.* at pp. 76-77;
- Sames doesn't know whether the Civic Federation data includes tax exempt properties, but, if tax exempt properties are not included in the Civic Federation data, it might affect the denominator. *Id.* at pp. 81-82, 86.

Finally, the allocations of Police-General and Fire-General cannot be justified as payments-in-lieu-of-taxes because even if the numerator and the denominator were accurate and therefore dictated that 1.26 percent of the Police-General and Fire-General should be allocated to the Water Fund, the allocation is still grossly excessive because it does not reasonably approximate the total amount of property taxes the Water and Sewer Funds would pay to the City. In 2023, the City imposed property taxes in the amount of approximately \$1.8 billion. *See* Civic Federation Data (Exhibit 2.DD) at p. 3. Therefore, if the Water Fund were required to pay taxes, the Water Fund would pay approximately **\$22.7 million per year** in exchange for all City services, including police and fire ( $\$1.8 \text{ billion} \times .0126 = \$22.7 \text{ million}$ ). In 2022, however, Maximus allocated \$35.8 million in Police-General expenses and \$14.1 million in Fire-General expenses (**a total of approximately \$50 million**) to the Water Fund. *See* Exhibit 2.J (Dep. Ex. 34) at pp. C-647 and C-739.

The City's allocation of police and fire expenses to the Water and Sewer Funds has no connection to any service provided or benefit received by those Funds. There is no basis to believe that the Water and Sewer Funds "use" \$60 million worth of police services and \$35 million of fire services every year. In comparison, the City has over 200 full-time police officers dedicated to O'Hare Airport, yet the City charges the Water Fund more than twice the amount that the City charges O'Hare

for police “services.” *See* Exhibit 2.P hereto (Exhibit 7 to FAC) at p. 12 (showing Police Department charges of \$27,559,020 to O’Hare for 2022).

**b. The Purported Expenses Maximus Uses To Allocate Police and Fire Expenses To The Water and Sewer Funds Are Patently Absurd And Inapplicable**

Further, the City improperly allocates the purported expenses of various police “departments” which provide no identified services to the Water and Sewer Funds, and some expenses are demonstrably unrelated to the Water and Sewer Funds.

In calculating the “Police-General” expenses, the City, through Maximus, allocated expenses from the following City departments in the following amounts for 2019:

“Emerg Mngmt & Comm 58” – \$58,705,450

“Police-Administration” – \$10,586,804

“Police-Patrol Svcs” – \$2,114,954,119

“Police-Detectives” – \$358,635,803

“Police-Organized Crime” – \$156,601,398

Total – **\$2,699,483,575** [Exhibit 2.D hereto (Ex. 22 to FAC) at p. C-640.]

The City thus allocates \$2.7 billion in purported annual Police Department costs to “Police General.”

Mr. Sames gave the following testimony about the expenses incorporated into the Police-General allocations:

- Sames does not know why the five departments (e.g., Organized Crime Division) were chosen to be included in the Police-General allocations, but he agreed that “to be included as inbound costs in police general, the departments would have to have provided something that was deemed to be of value to the water and sewer funds.” Exhibit 2.C hereto at p. 69-71.

- Maximus is not aware of the rationale for the inclusion of these specific departments in the Police-General expenses, but Sames concedes “you wouldn’t want to include departments that had no connection whatsoever to water and sewer.” *Id.* at p. 70.
- Maximus has never done an analysis of the services provided by any of the five departments to the Water and Sewer Funds. *Id.* at pp. 71-72.

While it is not yet known how the City chose these particular purported expenses, many of the purported Police-General expenses allocated to the Water and Sewer Fund are absurd on their face. For example, the “Police General” expenses include the following:

- The City allocates over \$20 million in expenses purportedly incurred by the Emergency Management and Communication Department for **traffic management** to the “Police-General” cost center. *See* Exhibit 2.J hereto (Dep. Ex. 34) at p. C-499.
- The City allocates over \$29 million in expenses purportedly incurred by the Emergency Management and Communication Department for **crossing guards** to the “Police-General” cost center. *See Id.* at p. C-500; Sames Dep. at pp. 114. Maximus does not know “whether there are corporate fund crossing guards that provide services to the water and sewer departments,” yet “a portion of the cost of that is being allocated to the water and sewer funds through the police general designation. *Id.* at pp. 113-114.
- The City allocates over \$150 million of the costs of the Organized Crime Division of the Police Department to the “Police-General” cost center. Sames Dep. at p. 72. Maximus has never “undertaken an analysis as to the amount of resources that the organized Crime Division devotes to policing organized crime with respect to the water and sewer fund.” *Id.* at p. 71.

A portion of these expenses are allocated to the Water and Sewer Funds. The Water and Sewer Funds pay these improper expenses through rate revenues generated from the City’s water and sewer customers.

**c. The Police- General Allocations Ignore Direct Payments By The Water Fund For Police Services**

Each year, the City includes in the Water Fund budget \$1,470,301 transfer to the Corporate Fund for “services provided by the Department of Police.” *See, e.g.,* Exhibit 2.I hereto (Dep. Ex. 23) at p. 277. The basis for the allocation is unknown, but the fact that it is the exact same amount every year strongly suggests that the amount is arbitrary and is not reevaluated on an annual basis.

In any event, at the very least Maximus was required to reduce the amount of its Police-General indirect allocations by the amount of the direct allocation, but it never did so. Sames Dep. (Exhibit 2.C hereto) at pp. 94-96. In fact, Mr. Sames was unaware of any direct billed expenses for police and fire to Water and Sewer. Sames Dep. at p. 75. Sames agreed that any direct billed expenses would need to be backed out of the Police-General and Fire-General expenses. *Id.* This is because “a central aim of the costs allocation plan is to avoid charging the very same expenses twice.” *Id.* at p. 106 (“we would not want to duplicate or double-charge”).

***4. The Staggering Amount Of The Overcharge Of Bogus Police and Fire “Expenses” To The Water And Sewer Funds.***

The City includes the Maximus cost allocations into its budget, which becomes the basis for the City’s assessment of Water and Sewer Rates and Charges. Because the City’s budget – and thus the Water and Sewer Rates – included hundreds of millions of dollars in phantom Police and Fire expenses, those Rates were excessive. As set forth in the spreadsheet attached hereto as Exhibit 2.G, the Maximus full cost CAPs confirm that the following amounts were included in the Water and Sewer Fund budgets for the years referenced:

- **Police-General Expenses Allocated To The Water Fund**
  - 2017 – \$34,671,796
  - 2018 – \$35,748,593
  - 2019 – \$35,822,147
  - 2020 – \$35,827,891
  - 2021 – \$36,533,436
  - 2022 – \$37,066,168
  - 2023 – \$39,508,338

2024 – \$40,298,505<sup>4</sup>  
2025 – \$41,104,475  
Total Overcharge 2017-2025 – \$336,581,349  
50% Share of Overcharge Allocated To Chicago Users – \$168,290,674

- **Police-General Expenses Allocated To the Sewer Fund**

2017 – \$24,900,427  
2018 – \$26,340,655  
2019 – \$26,803,172  
2020 – \$26,745,884  
2021 – \$27,335,379  
2022 – \$27,670,271  
2023 – \$29,493,375  
2024 – \$30,083,243  
2025 – \$30,684,907

- Total Overcharge 2017-2025 – \$250,057,313

- **Fire-General Expenses Allocated To the Water Fund**

2017 – \$13,113,579  
2018 – \$13,107,159  
2019 – \$13,066,469  
2020 – \$14,120,541  
2021 – \$14,600,929  
2022 – \$14,759,377  
2023 – \$15,069,961

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<sup>4</sup> For all of the Overcharges set forth in this Section II.C, the numbers for 2017 through 2023 are based upon the actual allocations Maximus made in its full CAPs for those years. The numbers for 2024 and 2025 are estimated based on the City’s historical cost allocation methodology. Consistent with the City’s prior practices, the 2024 and 2025 numbers were derived by taking the subject allocations to the Water Fund and Sewer Fund from the Maximus full CAP for 2023 and adding 2% per year. See Exhibit 2.E hereto and Shaikh Dep. at pp. 80-81.

2024 – \$15,371,360  
2025 – \$15,678,787  
Total Overcharge 2017-2025 – \$128,888,163  
50% Share of Overcharge Allocated To Chicago Users – \$64,444,081

- **Fire-General Expenses Allocated To The Sewer Fund.**

2017 – \$9,417,856  
2018 – \$9,657,750  
2019 – \$9,776,712  
2020 – \$10,541,127  
2021 – \$10,924,840  
2022 – \$11,018,025  
2023 – \$11,249,879  
2024 – \$11,474,877  
2025 – \$11,704,374  
Total Overcharge 2017-2025 – \$95,765,440

Total “Police-General” and “Fire General” Overcharges to Water and Sewer Funds for 2017-2025 –  
**\$811,292,265**

Total “Police-General” and “Fire-General” Overcharges to Chicago users for 2017-2025 –  
**\$578,557,508**

**D. THE PHANTOM “FINANCE COMMITTEE” COSTS ALLOCATED TO THE WATER AND SEWER FUNDS.**

The City allocates approximately \$1.3 million to the Water Fund and \$686,000 to the Sewer Fund for “Finance Committee” charges, which purportedly cover the City’s internal costs to process workers’ compensation claims. *See* Exhibit 2.J hereto (Dep. Ex. 34) (Maximus full cost plan for 2020) at p. C-156, 159. However, beginning in 2019, the City outsourced this processing work to Gallagher Bassett, a third-party administrator (see Exhibit 2.Q (Dep. Ex. 42)). Nonetheless, Maximus, through its cost allocation plans, continued to bill Water and Sewer Funds for the phantom internal services

allegedly being provided by the Finance Committee. Sames Dep. at pp. 48-50. The WF and SF directly pay the third party administrator (see Exhibit 2.R hereto (Dep. Ex. 33) at pp. D9280), so this is a clear double-dip and, therefore, all “Finance Committee” charges to the Water and Sewer Funds from 2020 through present have been improper.

Further, as set forth in the Maximus CAPs, the City separately charges the Water Fund an additional approximately \$400,000 per year for the “costs of Worker’s Compensation claims for medical payment and salary continuation.” See Exhibit 2.J hereto (Dep. Ex. 34) at pp. C-72 and C-76. But the City directly charges the Water Fund at least \$12 million per year “for the claims and costs of administration pursuant to the Workers’ Compensation Act.” Exhibit 2.I hereto (Dep. Ex. 23) at p. 276.

Significantly, Maximus was totally unaware of these facts and circumstances. In his recent deposition, Mr. Sames of Maximus testified that “it has never been brought to our attention that it’s not what [the Finance Committee] do.” Sames Dep. (Exhibit 2.C hereto) at pp. 48-49. In fact, as of 2025, Maximus believed that the Finance Committee was still performing the workers comp. processing for which the City was charging millions of dollars to the Water and Sewer Fund. *Id.* at p. 49, 50-51. Nonetheless, Mr. Sames confirmed that, if the City had hired a third party to do the work that the Finance Committee had been doing, “that is something that would be relevant to the cost allocation plans,” and, if there were costs incurred from a third-party, he would “need to reflect that cost somewhere” in the plan. *Id.* at 49.

The Overcharge for phantom “Finance Committee” costs for 2020-2025 are set forth in the annual Maximus full cost CAPs, and are summarized in Exhibit 2.G as follows:

**Water Fund**

2020 – \$1,310,735

2021 – \$1,085,954

2022 – \$1,258,497

2023 – \$1,420,345

2024 – \$1,448,752

2025 – \$1,477,727

Total Water Fund “Finance Committee” Overcharges – 2020-2025 – \$8,002,110

Total “Finance Committee” Overcharges to City users – 2020-2025 – **\$4,001,055**

**Sewer Fund**

2020 – \$686,873

2021 – \$464,112

2022 – \$531,797

2023 – \$548,781

2024 – \$559,757

2025 – \$570,952

Total “Finance Committee” Overcharge to City Users – 2020-2025 – **\$7,363,327**

**E. FACILITIES AND FLEET MANAGEMENT (“FFM”) DEPARTMENT OVERCHARGES.**

Maximus routinely allocates over \$900,000 of the AIS-Fleet Operations expenses to the Sewer Fund. *See, e.g.*, Exhibit 2.J hereto (Dep. Ex. 34) at p. C-6. But Maximus’ allocation of these expenses violates its own allocation methodology because it does not reflect direct allocations of AIS-Fleet Operation expenses to the Sewer Fund.

Maximus concedes that directly allocated expenses must be applied to reduce the indirect expenses allocated in its full CAPs. *See* Exhibit 2.J at p. A-4 and Sames Dep. at pp. 21, 23-24 and 94-96. Again, this is because “a central aim of the costs allocation plan is to avoid charging the very same expenses twice.” *Id.* at p. 106 (“we would not want to duplicate or double-charge”).

The City allocates millions of dollars of direct FFM expenses to the Sewer Fund, which Maximus fails to credit toward the indirect expenses. For example, in the full CAP for 2020, Maximus allocated \$961,562 in indirect expense of AIS Fleet Operations expense to the Sewer Fund. *See* Exhibit 2.J hereto (Dep. Ex. 34) at p. C-6. But this allocation does not take into account direct expense of

\$5,278,500 that is allocated to the Sewer Fund in the City’s 2020 budget. *See* Exhibit 2.I hereto (Dep. Ex. 23) at p. 337.<sup>5</sup>

Maximus did not account for the direct FFM expenses in allocating indirect costs in its CAPs. Sames Dep. at p. 103. However, Sames conceded that “would be something that you need to consider in deriving the plan.” *Id.* at p. 104.

Because the amount of the City’s direct allocation of FFM expenses to the Sewer Department exceeds the amount of Maximus’ indirect allocation, the entire indirect allocation is “wiped out” by the direct allocation, which is totally unknown to Maximus and therefore improperly disregarded by Maximus in its Full CAPs. In fact, as Maximus has recognized in allocating other departmental expenses to the Sewer Fund, because the direct expense exceeds the indirect expense, the Maximus full CAPs should show a negative indirect allocation. *See, e.g.*, Exhibit 2.J hereto (Dep. Ex. 34) at p. C-6 (showing an allocation of negative \$345,100 for total Law Department expense to the Sewer Fund) and C-255 (showing negative \$393,765 allocation of Torts Division expense after applying \$543,565 direct allocation of Torts Division expense).

The Overcharge for phantom “FFM” costs for 2017-2025 are summarized as follows:

Sewer Fund – entire amount charged reflected in, for example, Exhibit 2.I at p. 337 –

**2017** – \$4,233,159 (\$941,841 less \$5,175,000)

**2018** – \$4,204,519 (\$970,481 less \$5,175,000)

**2019** – \$4,302,390 (\$872,610 less \$5,175,000)

**2020** – \$4,316,918 (\$961,582 less \$5,278,500)

**2021** – \$3,785,548 (\$1,492,952 less \$5,278,500)

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<sup>5</sup> The City’s 2020 budget refers to this line item as “for services provided by the Department of Assets, Information and Services (Dep. Ex. 23 at p. 337), but the 2025 budget (Exhibit 2.EE, p. 452) makes clear that it is for Fleet and Facilities Management.

**2022** – \$3,524,089 (\$1,754,411 less \$5,278,500)

**2023** – \$3,553,026 (\$1,724,974 less \$5,278,000)

**2024** – \$2,990,527 (\$1,759,473 less \$4,750,000)

**2025** – \$2,955,337 (\$1,794,663 less \$4,750,000)

**Total** “FFM” Overcharge 2017-2025 – **\$33,865,513**

**F. THE OVERCHARGE FOR PURPORTED EXPENSES OF THE DEPARTMENT OF STREETS & SANITATION.**

Based upon the Maximus CAPs, the City allocates to the Water and Sewer Funds approximately \$8 million in purported indirect expenses for a department known as “STS-General.” *See, e.g.*, Exhibit 2.J (Dep. Ex. 34) at p. C-6 (allocating \$4,559,748 in STS-General expense to the Water Fund and \$3,403,898 in STS-General expense to the Sewer Fund).

Like the Police-General and Fire-General allocation, Maximus allocates the STS-General expense to the Water and Sewer Funds based upon the “Plant Value” of the City’s water and sewer infrastructure assets as a percentage of the City’s “full property value.” *Sames Dep.* (Exhibit 2.C hereto) at p. 96. Using this methodology, the City allocates 1.327% of certain purported STS-General expenses to the Water Fund and 0.9929% of certain purported STS expenses to the Sewer Fund. *See* Exhibit 2.D hereto (Exhibit 22 to FAC) at p. C-639, C-642 and C-736. These allocations thus suffer from the same deficiencies as the Police-General and Fire-General expenses discussed at length in Section II.C above.

In addition, Kurt Sames of Maximus gave the following damning testimony about the STS-General allocations in his deposition:

- The STS-General allocation exists because “probably the City wanted us to put this in here.” *Sames Dep.* (Exhibit 2.C hereto) at p. 96. *Id.* at p. 97 (“someone at the City wanted us to put this in here, into the plan”);
- Maximus does not know what services the streets and sanitation department provides to the Water and Sewer Funds. *Id.* at p. 97.

- Sames “can’t answer” how the methodology that is based upon plant value over city’s full market value accurately measures the value of the services provided by the streets and sanitation department to the water and sewer funds. *Id.* at p. 98.

Even if the allocation of some STS-General expense to the Water and Sewer Fund was appropriate, the Maximus allocations of STS-General expense to the Water and Sewer Fund are still excessive because they fail to take into account millions of dollars of **direct** STS-General expense that is included in the Water and Sewer Fund budgets. For example, in 2020, the City included \$368,000 in direct STS-General expense in the Water Fund budget (Exhibit 2.I hereto) (Dep. Ex. 23) at p. 270; Sames Dep. at p. 104) and over \$7.7 million in direct STS-General expense in the Sewer Fund budget (Exhibit 2.I hereto) (Dep. Ex. 23) at p. 337; Sames Dep. at p. 102).

Significantly, Sames was not aware of the massive direct expense allocations and therefore the Maximus CAPs do not take into account any direct-billed STS-General expense to the Water and Sewer Funds. Sames Dep. at p. 99, 102 and 104. Sames conceded that such direct expenses would need to be taken into account in allocating indirect STS-General expense in the CAPs. *Id.* at pp. 99-100. Sames further conceded that the direct expense was “not noted and does not reduce the STS allocations” to the Water and Sewer Fund. *Id.* at pp. 102-104.

The Overcharge for phantom “STS-General” costs for 2017-2025 are set forth in the annual Maximus full cost CAPs, and are summarized as follows:

**Water Fund**<sup>6</sup>

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<sup>6</sup> Since there is no basis for ANY STS-General indirect allocations, the overcharge to the Water Fund is the whole amount of the indirect STS-General expense in the Maximus CAPs. For example, in 2020, the indirect allocation was \$4,559,748. *See* Exhibit 2.J hereto at p. C-6. Even if the STS-General indirect allocations could be justified, they still would have to be reduced by the amount of direct STS-General allocations. In 2020, the City allocated \$368,000 in direct STS-General costs to the Water Fund. Therefore, even if the full amount of the indirect STS-General allocation could be justified, the \$4,559,748 indirect cost allocation for 2020 would have to be reduced by \$368,000.

2017 – \$3,529,085  
2018 – \$5,188,703  
2019 – \$4,674,825  
2020 – \$4,559,748  
2021 – \$4,968,300  
2022 – \$4,991,980  
2023 – \$5,245,880  
2024 – \$5,350,798  
2025 – \$5,457,814

**Sewer Fund**<sup>7</sup>

2017 – \$2,534,499  
2018 – \$3,823,195  
2019 – \$3,497,840  
2020 – \$3,403,898  
2021 – \$3,717,426  
2022 – \$3,726,564  
2023 – \$3,916,103  
2024 – \$3,994,425  
2025 – \$4,074,314

**Total** “STS-General” Overcharge to the Water Fund 2017-2025 – \$43,967,133

50% of Overcharge allocable to City users – \$21,983,567

**Total** “STS-General” Overcharge to the Sewer Fund 2017-2025 – \$32,688,264

**Total** “STS-General” Overcharge 2017-2025 - **\$54,671,831**

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<sup>7</sup> For the Sewer Fund, assuming that the direct allocation is correct and defensible (which has not been confirmed), but the indirect allocation is wholly improper, the overcharge is the difference between total amount of the direct and indirect allocations minus the direct allocation. For 2020, the indirect allocation of STS-General expense was \$3,403,898 and the direct allocation was \$7,767,702. The overcharge is the difference between the total amount of indirect and direct STS-General costs allocated to the Sewer Fund (\$11,171,600) minus the amount that the City should have charged (assuming the direct allocation is correct and defensible (\$7,767,702). The difference thus is the entire amount of the indirect allocation of \$3,403,898.

**G. OVERCHARGES FOR THE DEPARTMENT OF EMERGENCY MANAGEMENT.**

Maximus allocates approximately \$2 million per year in indirect expenses of the Department of Emergency Management to the Water and Sewer Funds. *See* Exhibit 2.J hereto (Dep. Ex. 34) at p. C-6. As with other allocations described above, however, Maximus fails to reduce the indirect allocations by direct billed expenses. For example, in 2020, the City directly charged the Water Fund \$325,000 for “Transfer for Services provided by the Office of Emergency Management and Communication.” Exhibit 2.I hereto (Dep. Ex. 23), page 277, line item 9774. In that same year, the City directly charged the Sewer Fund \$120,000 for a “Transfer for services provided by the Office of Emergency Management and Communication.” Exhibit 2.I hereto (Dep. Ex. 23), page 342, line item 9774.

The Overcharge for the Department of Emergency Management costs for 2017-2025 are set forth in the annual Maximus full cost CAPs, and are summarized as follows:

**Water Fund**<sup>8</sup>

2017 – \$325,000  
2018 – \$325,000  
2019 – \$325,000  
2020 – \$325,000  
2021 – \$325,000  
2022 – \$325,000  
2023 – \$325,000  
2024 – \$325,000  
2025 – \$325,000

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<sup>8</sup> These overcharges are the amount of the direct expenses in the City’s budgets, which Maximus does not apply to reduce the indirect allocations.

**Sewer Fund**

2017 – \$120,000

2018 – \$120,000

2019 – \$120,000

2020 – \$120,000

2021 – \$120,000

2022 – \$120,000

2023 – \$120,000

2024 – \$120,000

2025 – \$120,000

**Total** Department of Emergency Management Overcharge to Water Fund 2017-2025 – **\$2,925,000**

50% of total Department of Emergency Management Overcharge to Water Fund paid by City users – \$1,462,500

**Total** Department of Emergency Management Overcharge to Sewer Fund 2017– 2025 – **\$1,080,000**

**Total** Department of Emergency Management Overcharge to Water and Sewer Funds 2017-2025 – **\$2,542,500**

**H. THE EXCESSIVE ALLOCATION OF DIRECT EXPENSES TO THE WATER FUND.**

In addition to the purported “indirect” expenses described in Sections II.C through II.G above, the City further increases the overcharges to the Water and Sewer Funds by directly charging those funds for purported expenses that are simply fictitious. Discovery has revealed that the City, on an ongoing and systematic basis, has grossly inflated the purported expenses for budget and ratemaking purposes, even though the City knows, based upon historical data, that those expenses are grossly inflated. The Water and Sewer Funds retain these ill-gotten gains.

There are at least three types of Water Fund direct expenses that are grossly and systemically inflated independent of the Maximus CAPs. Even though the City pretty much knows what these actual expenses are going to be each year, the City artificially increases the budgeted expenses to

generate revenues far in excess of the actual expenses. Here is the information for 2017-2024, which is gleaned by comparing the City's budgets (showing purported planned expenditures) to the City's general ledger documents (showing actual expenditures for the same time periods):

**1. *Medical care premiums – Account code 0042***

**a. 2017**

Budgeted amount – \$14,171,682

Actual amount – \$9,419,624

Overcharge – \$4,752,058

**b. 2018**

Budgeted amount – \$13,531,988

Actual amount – \$12,226,005

Overcharge – \$1,305,983

**c. 2019**

Budgeted amount – \$16,722,811

Actual amount – \$12,414,960

Overcharge – \$4,307,651

**d. 2020**

Budgeted amount – \$14,572,028

Actual amount – \$11,767,932

Overcharge – \$2,804,096

**e. 2021**

Budgeted amount – \$12,735,269

Actual amount – \$10,434,361

Overcharge – \$2,300,908

**f. 2022**

Budgeted amount – \$12,795,108

Actual amount – \$14,563,187

Overcharge – (\$1,768,079)

**g. 2023**

Budgeted amount – \$ 19,301,753

Actual amount – \$15,714,038

Overcharge – \$3,587,715

**h. 2024**

Budgeted amount – \$19,506,382

Actual amount – \$17,686,859

Overcharge – \$1,819,523

Total overcharge for medical care premiums 2017-2024 – **\$19,109,855**

Total overcharge for medical care premiums to City users (2017-2024) – **\$9,554,927**

**2. *Professional and Technical Services – Account Code 0140***

**a. 2017**

Budgeted amount – \$21,608,311

Actual amount – \$18,518,920

Overcharge – \$3,089,391

**b. 2018**

Budgeted amount – \$20,725,491

Actual amount – \$19,502,175

Overcharge – \$1,223,316

**c. 2019**

Budgeted amount – \$23,307,651

Actual amount – \$16,983,710

Overcharge – \$6,323,941

**d. 2020**

Budgeted amount – \$26,215,747

Actual amount – \$18,666,561

Overcharge – \$7,549,186

**e. 2021**

Budgeted amount – \$27,119,189

Actual amount – \$20,144,908

Overcharge – \$6,974,281

**f. 2022**

Budgeted amount – \$27,048,448

Actual amount – \$19,008,617

Overcharge – \$8,039,831

**g. 2023**

Budgeted amount – \$ 28,039,855  
Actual amount – \$24,804,623  
Overcharge – \$3,235,232

**h. 2024**

Budgeted amount – \$33,097,216  
Actual amount – \$28,101,239  
Overcharge – \$4,995,977

Total overcharge for Professional and Technical Services 2017-2024 – **\$41,431,155**

Total overcharge to City users 2017-2024 – **\$20,715,577.**

***3. Metropolitan Sewer District (“MSD”) User Charges – Account code 0905<sup>9</sup>***

**a. 2017**

Budgeted amount – \$13,000,000  
Actual amount – \$3,296,122  
Overcharge – \$9,703,878

**b. 2018**

Budgeted amount – \$13,000,000  
Actual amount – \$5,536,588  
Overcharge – \$7,463,412

**c. 2019**

Budgeted amount – \$13,000,000  
Actual amount – \$1,725,153  
Overcharge – \$11,274,847

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<sup>9</sup> The MSD charges the City for sewage disposal services for the City’s two water treatment plants. The spreadsheet attached hereto as Exhibit 2.S sets forth the actual expenditures for MSD User Charges reflected in the City’s general ledgers. The spreadsheet attached hereto as Exhibit 2.T sets forth a summary of the MSD’s receipts from the City for the User Charges, as gleaned from documents produced by the MSD in response to KH’s FOIA request. *See* Exhibit 2.HH hereto. The MSD documents confirm the validity of the actual amounts shown in Exhibit 2.S.

**d. 2020**

Budgeted amount – \$13,000,000  
Actual amount – \$2,641,502  
Overcharge – \$10,358,498

**e. 2021**

Budgeted amount – \$13,000,000  
Actual amount – \$8,042,436  
Overcharge – \$4,957,564

**f. 2022**

Budgeted amount – \$6,800,000  
Actual amount – \$6,766,291  
Overcharge – \$33,709

**g. 2023**

Budgeted amount – \$6,800,000  
Actual amount – \$6,778,324.80  
Overcharge – \$21,675

**h. 2024**

Budgeted amount – \$6,800,000  
Actual amount – \$6,209,940.60  
Overcharge – \$590,059

Total overcharge for MSD User Fees 2017-2024 – **\$ 44,403,642**

Total overcharge to City users – **\$22,201,821**

Total overcharge of “Direct” expenses to the Water Fund – \$104,944,652

50% of the overcharge attributable to Chicago users – **\$52,472,326**

**III. IMPROPER CHARGING OF THE COMPENSATION OF EMPLOYEES OF OTHER DEPARTMENTS AND FUNDS TO THE WATER AND SEWER FUND**

The City allocates the costs of the salaries and benefits of dozens of City employees in other departments or funds to the Water and Sewer Fund. Since 2017, the City has billed the Water Fund for **161** full time employees of other departments or funds and billed the Sewer Fund for **60** full time

employees of other departments or funds. *See* Exhibit 2.U hereto (spreadsheets summarizing direct employee expense in the City’s budgets for 2017-2025).

The City has not justified or explained the basis for these direct allocations, but some of the allocations are ludicrous on their face. For example, the City claims that there are 19 employees of the City’s Office of Inspector General that are dedicated full time to the Water and Sewer Funds. *See, e.g.*, Exhibit 2.I hereto (Dep. Ex. 23) at pp. 242 and 325. The evidence described in the Complaint shows that the City’s allocation cannot be based on reality. And the City faithfully allocates the 19 employees each and every year, showing that the City makes no effort on a periodic or ongoing basis to evaluate the nature and extent of the direct services provided by other City departments to the Water and Sewer Fund.

Maximus “has nothing to do” with the City’s allocation of direct employee expense to the Water and Sewer Fund. *Sames* Dep. (Exhibit 2.C hereto) at pp. 57-58. Maximus merely takes these numbers from the City’s budgets and does not “independently investigate whether those people were actually doing that work.” *Id.* at p. 57.

We believe that other direct employee allocations are also grossly inflated. Discovery continues as to these issues.

#### **IV. PENSION OVERCHARGES**

##### **A. THE PENSION CONTRIBUTIONS FOR THE WATER AND SEWER FUNDS.**

The City overcharges the Water Fund and Sewer Fund tens of millions of additional dollars per year, purportedly to cover the Water Fund’s and the Sewer Fund’s proportionate share of the City’s total annual contribution to the Municipal Employees’ Annuity and Benefit Fund (the “Municipal Employees’ Fund”) and the Laborers’ and Retirement Board Annuity and Benefit Fund (the “Laborers’ Fund”). The Pension Overcharges are included in the City’s Rates on a prospective

basis and the City intends to collect the revenues associated with the Pension Overcharges on an annual basis. In the absence of the Pension Overcharges, the City's Water and Sewer Charges could be set to generate tens of millions of dollars less in annual revenues. The fact that, effective June 2016, the City implemented a policy of annually increasing its water and sewer rate by the rate of inflation does not mean that the Rates were not unreasonable or discriminatory "at the time of their establishment" because the Pension Overcharges claimed in this Complaint were already included in the City's Rates as of January 2016 – before the City's new policy went into effect. See Exhibit 2.V hereto (Exhibit 12 to FAC) (City's Annual Appropriation Ordinance for 2016 at pp. 24-25). The City's application of an inflation factor in subsequent years merely continued the Pension Overcharges that were already baked-into the Rates, albeit at ever increasing amounts. The Water and Sewer Funds annually transfer money to the Municipal Employees' Fund and the Laborers' Fund to cover the required annual contributions set forth in the City's budgets, which budgeted contributions greatly exceed the amounts the Water and Sewer Funds should be contributing to the Funds.

#### **B. THE NATURE OF THE PENSION OVERCHARGES**

Pension costs for the Municipal Employees' Fund and the Laborers' Fund are to be allocated based upon each department's percentage of the total "covered payroll" of all departments with employees in the Municipal Employee's Fund and the Laborers' Fund. Dieterich Dep., Exhibit. 2.B, pp. 60-161. For example, the City's financial statements provide that the Water Fund's allocation to the City's net pension liability should be "determined based on the rates of Water Fund salaries within each corresponding pension plan to the total budgeted salaries for 2020 and 2019." See Exhibit 2.N hereto (Exhibit 26 to FAC at pp. 42-43 (2020 Water Fund financial statement excerpts). As of December 31, 2020 and 2019, the Water Fund's proportionate share was 6.6% and 7.2% of the Municipal Employees plan, respectively. See *Id.* at p. 43. During the same period of time, the Water

Fund's proportionate share was 15.8% and 16.2% of the Laborers plan, respectively. These percentages are used to determine the Water Fund's percentage of the total City contribution to the Plans. They vary slightly from year to year.

As of December 31, 2020 and 2019, the Sewer Fund's proportionate share was 1.8% and 2.0% of the Municipal Employees plan, respectively. *See* Exhibit 2.W hereto. During the same period of time, the Sewer Fund's proportionate share was 11.3% and 12.3% of the Laborers plan, respectively. These percentages are used to determine the Sewer Fund's percentage of the total City contribution to the Plans. They vary slightly from year to year.

Discovery has confirmed that there are at least two fundamental flaws in the City's allocation of pension expense to the Water and Sewer Funds, which combine to result in excessive charges to those Funds. First, the City receives hundreds of millions of tax revenues every year which are earmarked to fund contributions to the Municipal Fund and the Laborers' Fund, and which should reduce the contributions of the Water and Sewer Funds, but the City improperly applies those tax revenues only to the Corporate Fund's contribution. Second, the City's allocations fail to properly account for hundreds of millions of dollars of recent contributions to the Municipal Fund by the Chicago Public Schools.

***1. The City's Failure To Credit A Portion Of The Tax Revenues Toward The Pension Contributions Of The Water and Sewer Fund.***

The City's methodology for allocating pension costs to the Water and Sewer Fund is reflected in annual pension allocation spreadsheets (Exhibit 2.X hereto) and was described in the depositions of Ben Dieterich (generally at pp. 59-77) (Exhibit 2.B) and Brenton Siverly (generally at pp. 7, 13-19) (Exhibit 2.L), which are summarized below.

Regardless of the year, the City's methodology was consistent. Dieterich Dep., Exhibit. 2.B, p. 69. In allocating the total Municipal Fund pension contributions to City's Water Fund, the City

first calculates the total budgeted contribution for each fiscal year in what it calls the “First Allocation.” Dieterich Dep., Exhibit. 2.B, pp. 69-72; Siverly Dep. Exhibit. 2.L, pp. 13-14. The City then divides the First Allocation into two amounts: (1) an amount representing the share of the Chicago Public Schools based upon the total covered payroll of all CPS employees covered by the Municipal Fund (the “CPS Share”), and (2) an amount representing the share of the City funds based upon the total covered payroll of all City employees covered by the Municipal Fund (the “City Share”). Dieterich Dep., Exhibit. 2.B, pp. 72-74; Siverly Dep. Exhibit. 2.L, pp. 14-15.

The City allocates the total City Share among all of the City funds with employees that participate in the Municipal Fund in what it calls the “Second Allocation.” The allocations to each fund is based upon its proportionate share of the total covered payroll of all such City funds (and excluding the total covered payroll of CPS employees covered by the Municipal Fund. Dieterich Dep., Exhibit. 2.B, p.72-74; Siverly Dep. Exhibit. 2.L, p. 16. For 2019, for example, the City allocated 12% of the City Share to the Water Fund.

The City then rolls up the allocations to all funds other than the enterprise funds (Water, Sewer, Midway and O’Hare) into the Corporate Fund contribution in what it calls the “Third Allocation.” The allocations to the enterprise funds are the same in both the Second Allocation and Third Allocations. Dieterich Dep., Exhibit. 2.B, pp. 74-75; Siverly Dep. Exhibit. 2.L, pp. 16-17.

After the Third Allocation, the City then takes the hundreds of millions of tax revenues earmarked for contributions to the Municipal Fund and applies them to reduce the Corporate Fund’s contribution. *See, e.g.,* 2019 Pension Allocation Spreadsheet (Exhibit 2.X hereto) (applying all \$238,719,000 in tax revenues only to Corporate Fund contribution of \$319,990,000, thereby reducing that contribution to just \$81,271,000). *See also* Dieterich Dep., Exhibit. 2.B, pp. 74-75; Siverly Dep. Exhibit. 2.L, pp. 17-18. **No amount of the tax revenues is credited to the Water and Sewer**

**Funds.** Dieterich Dep., Exhibit. 2.B, pp. 64-66; 75-77; Siverly Dep. Exhibit. 2.L, p. 19.

Notably, the City has not identified a statute, ordinance or resolution authorizing, much less requiring, the City to allocate pension costs in this manner.

The following analysis for 2019 reflects the flaws in the City's methodology:<sup>10</sup>

For 2019, the City's pension allocation spreadsheet forecasted \$421,000,000 in total contributions to the Municipal Employees Fund. *See* Exhibit 2.X hereto. In 2019, the City allocated \$30,353,000 to the Water Fund (id.) which represents approximately 7.2% of the total contributions and thus, seemingly approximates the appropriate Water Fund percentage. However, the City's allocation is grossly excessive because it fails to consider that almost \$238,719,000 of the 2019 annual contribution to the Municipal Employees Fund is contributed from taxes (including the Water and Sewer Taxes). *See Id.* Here, specifically, only \$182,281,000 was being contributed by the City using its operating funds. Put another way, only \$182,281,000 is being contributed from the City itself from non-tax sources—and thus, the proper amount that should be allocated among the various City funds, including the Water Fund and the Sewer Fund, for contribution to the Municipal Employees Fund is \$182,281,000. When the appropriate amount of \$182,281,000 is used for the contribution calculation, the Water Fund's proportionate share of its contribution for 2019 is dramatically reduced. Indeed,

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<sup>10</sup> At the outset, we note that the contribution and tax amounts in the City's pension allocation spreadsheets in some instances are materially different than the contribution and tax amounts set forth in the City's annual budgets. For example, in the 2019 budget, the City stated that the total contributions to the Municipal Fund would be \$471,002,000 and the property tax and water and sewer tax revenues available to fund that contribution would be \$293,540,000. In the 2019 pension allocation spreadsheet, however, the City calculated the contribution to the Municipal Fund to be \$421,000,000 and property tax and water and sewer tax revenues in the total amount of \$238,719,000. *See* Exhibit 2.X hereto. In our analysis, we have relied upon the pension allocation spreadsheets (in lieu of the budgets) for years where such spreadsheets are available (2019-2025). For 2017 and 2018, we have relied on the budget numbers.

the allocation to the Water Fund drops to just \$13,164,884, instead of \$30,353,000. This means that for 2019, the City's Pension Overcharge to the Water Fund exceeded \$17 Million.

## ***2. The City's Failure To Account For CPS Contributions To The Municipal Fund.***

There are hundreds of employees of the Chicago Public Schools ("CPS") who participate in the Municipal Fund. The City Corporate Fund historically funded the CPS contributions. Beginning in 2020, the City and CPS entered into a series of Intergovernmental Agreements (the "IGAs") which required CPS to make increasing, but still partial, contributions to the Municipal Fund on behalf of CPS employees. The IGAs show the following:

- In an IGA dated January 15, 2020 (Exhibit 2.Y), CPS agreed to pay \$60 million to the City for contributions to the Municipal Fund by August 29, 2020 for the City's fiscal year 2020. The IGA requiring the January 2020 CPS contribution was part of the City's Annual Revenue Ordinance for 2020 that was approved by the City Council on November 26, 2019. *Id.* at p. 1. The City thus knew about this contribution when it approved the City budget in November 2019, but the CPS contribution is not reflected in the City's annual budget for 2020. The CPS contribution did not reduce the contributions of the Water or Sewer Funds in 2020.
- On August 24, 2021, CPS agreed to pay \$100 million to the City for contributions to the Municipal Fund by September 15, 2021 for the City's fiscal year 2021. Exhibit 2.Z hereto. This CPS contribution is not reflected in the City's annual budget for 2021.
- On September 29, 2022, CPS agreed to pay \$175 million to the City for contributions to the Municipal Fund by September 15, 2022 for the City's fiscal year 2022. Exhibit 2.AA hereto. This CPS contribution is not reflected in the City's annual budget for 2022.
- On January 5, 2024, CPS agreed to pay \$175 million to the City for contributions to the Municipal Fund by March 30, 2024, to be applied to the City's fiscal year 2023 fund contribution. Exhibit 2.BB hereto. This CPS contribution is not reflected in the City's annual budget for 2023.

Assuming all of these payments were made, CPS has made at least \$510 million in contributions to the Municipal Fund that the City has not been properly taken into account in the City's pension allocations to the Water and Sewer Funds.

**C. THE TOTAL OVERCHARGES FOR WATER AND SEWER FUND CONTRIBUTIONS TO THE MUNICIPAL FUND AND THE LABORERS FUND.**

In order to properly allocate pension expenses to the Water and Sewer Fund, the CPS contributions to the Municipal Fund should be credited 100% to the Corporate Fund's required contribution, but the tax revenues must be credited to the various City funds (including the Water Fund and Sewer Fund) based on the total covered payroll of each such fund as a percentage of the total covered payroll of CPS employees who participate in the Funds. A computation of the Pension Overcharges for the Municipal Employees Fund and the Laborers Fund to the Water Fund and Sewer Fund in 2017, 2018 and 2025 is based upon the City's budgets<sup>11</sup> and the computation for 2019 through 2024 is based upon the City's pension allocation spreadsheets, and confirmed by the City's budgets and documents produced by the Chicago Public Schools. Exhibit 2.CC hereto contains the detailed computation of the overcharges, but a summary appears below:

***1. The Municipal Fund Overcharges To The Water Fund.***

**a. 2017**

Water Fund Actual Contribution Per Budget – \$18,949,000  
Maximum Water Fund Contribution – \$6,495,174  
Overcharge to Water Fund – **\$12,453,826**

**b. 2018**

Water Fund Actual Contribution Per Budget – \$24,451,000  
Maximum Water Fund Contribution – \$7,288,738  
Overcharge to Water Fund – **\$17,162,262**

**c. 2019**

Water Fund Actual Contribution Per Budget – \$30,353,000  
Maximum Water Fund Contribution – \$13,164,884

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<sup>11</sup> The City has not yet produced pension allocation spreadsheets for 2017 and 2018 on the grounds that Plaintiff did not become a water and sewer customer until 2019. The City's objection is frivolous and will be the subject of a motion to compel.

Overcharge to Water Fund – **\$17,188,116**

**d. 2020**

Water Fund Actual Contribution Per Budget – \$33,014,000

Maximum Water Fund Contribution – \$13,078,216

Overcharge to Water Fund – **\$19,935,784**

**e. 2021**

Water Fund Actual Contribution Per Budget– \$36,954,000

Maximum Water Fund Contribution – \$11,765,975

Overcharge to Water Fund – **\$25,188,025**

**f. 2022**

Water Fund Actual Contribution Per Budget – \$59,725,000

Maximum Water Fund Contribution – 31,026,457

Overcharge to Water Fund – **\$28,698,543**

**g. 2023**

Water Fund Actual Contribution – \$70,118,000

Maximum Water Fund Contribution – \$43,658,065

Overcharge to Water Fund – **\$26,459,935**

**h. 2024**

Water Fund Actual Contribution – \$65,405,000

Maximum Water Fund Contribution – \$44,603,950

Overcharge to Water Fund – **\$20,801,050**

**i. 2025**

Water Fund Actual Contribution – \$67,403,532

Maximum Water Fund Contribution – \$44,830,563

Overcharge to Water Fund – **\$22,572,969**

Total Overcharges to Water Fund for Contributions to Municipal Fund 2017-2025 – \$190,460,510

50% of total overcharge allocated to Chicago users – **\$95,230,255**

***2. The Municipal Fund Overcharges To The Sewer Fund.***

**a. 2017**

Sewer Fund Actual Contribution Per Budget – \$5,453,000  
Maximum Sewer Fund Contribution – \$1,944,880  
Overcharge to Sewer Fund – **\$3,508,120**

**b. 2018**

Sewer Fund Actual Contribution Per Budget – \$6,968,000  
Maximum Sewer Fund Contribution – \$4,406,191  
Overcharge to Sewer Fund – **\$2,561,809**

**c. 2019**

Sewer Fund Actual Contribution Per Budget – \$8,469,000  
Maximum Sewer Fund Contribution – \$3,694,339  
Overcharge to Sewer Fund – **\$4,774,661**

**d. 2020**

Sewer Fund Actual Contribution Per Budget – \$8,960,000  
Maximum Sewer Fund Contribution – \$3,523,047  
Overcharge to Sewer Fund – **\$5,436,953**

**e. 2021**

Sewer Fund Actual Contribution Per Budget – \$10,303,000  
Maximum Sewer Fund Contribution – \$3,218,399  
Overcharge to Sewer Fund – **\$7,084,601**

**f. 2022**

Sewer Fund Actual Contribution Per Budget – \$16,323,000  
Maximum Sewer Fund Contribution – \$8,453,123  
Overcharge to Sewer Fund – **\$7,869,877**

**g. 2023**

Sewer Fund Actual Contribution – \$17,886,000  
Maximum Sewer Fund Contribution – \$10,965,223  
Overcharge to Sewer Fund – **\$6,920,777**

**h. 2024**

Sewer Fund Actual Contribution – \$16,528,000  
Maximum Sewer Fund Contribution – \$11,147,441  
Overcharge to Sewer Fund – **\$5,380,559**

**i. 2025**

Sewer Fund Actual Contribution – \$17,327,869  
Maximum Sewer Fund Contribution – \$11,490,032  
Overcharge to Sewer Fund – **\$5,837,837**

Total Overcharges to Sewer Fund for Contributions to Municipal Fund 2017-2025 – **\$49,375,194**

**3. *The Laborers Fund Overcharges To The Water Fund.***

**a. 2017**

Water Fund Actual Contribution Per Budget – \$5,532,000  
Maximum Water Fund Contribution – \$3,827,220  
Overcharge to Water Fund – **\$1,704,780**

**b. 2018**

Water Fund Actual Contribution Per Budget – \$7,684,000  
Maximum Water Fund Contribution – \$5,912,800  
Overcharge to Water Fund – **\$1,771,200**

**c. 2019**

Water Fund Actual Contribution Per Budget – \$9,722,000  
Maximum Water Fund Contribution – \$7,928,443  
Overcharge to Water Fund – **\$1,793,557**

**d. 2020**

Water Fund Actual Contribution Per Budget – \$11,363,000  
Maximum Water Fund Contribution – \$9,616,077  
Overcharge to Water Fund – **\$1,746,923**

**e. 2021**

Water Fund Actual Contribution Per Budget – \$13,335,000  
Maximum Water Fund Contribution – \$4,807,044  
Overcharge to Water Fund – **\$8,527,956**

**f. 2022**

Water Fund Actual Contribution Per Budget – \$17,597,000  
Maximum Water Fund Contribution – \$9,485,528  
Overcharge to Water Fund – **\$8,111,472**

**g. 2023**

Water Fund Actual Contribution – \$22,036,000  
Maximum Water Fund Contribution – \$12,494,564  
Overcharge to Water Fund – **\$9,541,436**

**h. 2024**

Water Fund Actual Contribution – \$26,058,000  
Maximum Water Fund Contribution – \$16,588,145  
Overcharge to Water Fund – **\$9,469,855**

**i. 2025**

Water Fund Actual Contribution – \$25,460,865  
Maximum Water Fund Contribution – \$15,825,834  
Overcharge to Water Fund – **\$9,635,031**

Total Overcharges to Water Fund for Contributions to Laborers Fund 2017-2025 – \$52,302,210

50% of total overcharge allocated to Chicago users – **\$26,151,105**

***4. The Laborers Fund Overcharges To The Sewer Fund.***

**a. 2017**

Sewer Fund Actual Contribution Per Budget – \$4,044,000  
Maximum Sewer Fund Contribution – \$2,804,160  
Overcharge to Sewer Fund – **\$1,239,840**

**b. 2018**

Sewer Fund Actual Contribution Per Budget – \$5,779,000  
Maximum Sewer Fund Contribution – \$4,450,600  
Overcharge to Sewer Fund – **\$1,328,400**

**c. 2019**

Sewer Fund Actual Contribution Per Budget – \$7,369,000  
Maximum Sewer Fund Contribution – \$6,009,576

Overcharge to Sewer Fund – **\$1,359,424**

**d. 2020**

Sewer Fund Actual Contribution Per Budget – \$8,159,000

Maximum Sewer Fund Contribution -- \$6,904,462

Overcharge to Sewer Fund – **\$1,254,538**

**e. 2021**

Sewer Fund Actual Contribution Per Budget – \$9,635,000

Maximum Sewer Fund Contribution – \$3,472,736

Overcharge to Sewer Fund – **\$6,162,264**

**f. 2022**

Sewer Fund Actual Contribution Per Budget – \$12,695,000

Maximum Sewer Fund Contribution – \$6,843,286

Overcharge to Sewer Fund – **\$5,851,714**

**g. 2023**

Sewer Fund Actual Contribution – \$14,597,000

Maximum Sewer Fund Contribution – \$8,276,348

Overcharge to Sewer Fund – **\$6,320,652**

**h. 2024**

Sewer Fund Actual Contribution – \$17,265,000

Maximum Sewer Fund Contribution – \$10,990,300

Overcharge to Sewer Fund – **\$6,274,700**

**i. 2025**

Sewer Fund Actual Contribution – \$16,974,693

Maximum Sewer Fund Contribution – \$10,591,278

Overcharge to Sewer Fund – **\$6,383,415**

Total Overcharges to Sewer Fund for Contributions to Laborers Fund 2017-2025 – **\$36,174,946**

**V. SUMMARY OF OVERCHARGES TO CHICAGO USERS**

**A. 2017-2025 RATE DISCRIMINATION CLAIMS**

1. Water Exemptions – \$96,444,273
2. General Sewer Exemptions – \$87,929,667
3. Senior Sewer Exemptions – \$209,827,381

**Total 2017-2025 – \$394,201,321**

**B. EXCESSIVE COST ALLOCATION CLAIMS**

1. 2017-2025 Indirect Allocations – **\$681,001,734**
  - a. Police-General and Fire-General – \$578,557,508
  - b. Finance Committee – \$11,364,382
  - c. Fleet and Facilities Management – \$33,865,513
  - d. STS-General – \$54,671,831
  - e. Department of Emergency Management – \$2,542,500
2. 2017-2024 Direct Allocations – **\$52,472,326**

**Total 2017-2025 – \$733,474,060**

**C. PENSION OVERCHARGES –**

1. Municipal Fund – Water Fund 2017-2025 – \$95,230,255
2. Municipal Fund – Sewer Fund 2017-2025 – \$49,375,194
3. Laborers Fund – Water Fund 2017-2025 – \$26,151,105
4. Laborers Fund – Sewer Fund 2017-2025 – \$36,174,946

**Total Pension Overcharges 2017-2025 – \$206,931,500**

Total Overcharges to Chicago water and sewer users 2017-2025 – **\$1,334,606,881**