

MINUTES OF A FINANCE COMMITTEE MEETING OF THE BOARD OF PARK COMMISSIONERS OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON WEDNESDAY, JULY 15, 2020 9:00AM. THE MEETING WAS CONDUCTED REMOTELY DUE TO THE GOVERNOR’S DECLARATION OF EMERGENCY AS A RESULT OF THE COVID-19 PANDEMIC. MEMBERS OF THE PUBLIC WERE ABLE TO VIEW A LIVE STREAM OF THE FINANCE COMMITTEE MEETING AND SUBMIT ITEMS FOR PUBLIC COMMENT VIA EMAIL TO THE EXECUTIVE DIRECTOR TO BE READ ALOUD DURING THE MEETING.

Present: Commissioner Bernstein, Commissioner Grossberg, President Ruttenberg

Also, Present: Executive Director Romes; Director Peters; Director Carr; Director Smith; Manager Warsaw; Accountant Rosen; Accounts Payable Lakoske; Executive Coordinator Hejnowski

Guest Speaker: None

PUBLIC COMMENT FOR ITEMS ON THE AGENDA - None.

July 2, 2020, Finance Committee Meeting minutes were approved.

Special Disclaimer from Public Financial Management (PFM)

Director Peters shared the District’s special disclaimer, reporting that the research and any forecasts are based on current information as of June 30, 2020 as is considered to be reliable, but the District does not represent it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates, and forecasts contained herein are also as of the date hereof and are subject to change without prior notification.

Updated Financial Forecasts

Chart of Operations (General and Recreation Fund)

Director Peters presented the District’s chart of operations which examines the General and Recreation Funds comparing the budgeted vs. actual figures while incorporating projected revenues and expenses. Prior to the pandemic the District budgeted a net income of a little over \$3 million. As of mid-July, staff projected under the worst-case scenario the net income will decrease to \$1.8 million, for a net reduction of \$1.2 million. Director Peters reported that the actual year-to-date revenue is charting above worst-case scenario projections and the expenses are slightly below. As a result, the year to date net difference from actual vs. projected is positive by more than \$2 million.

The members of the Park Board Finance Committee were pleased with the report.

Recreation Fund Summary

Director Peters provided highlights from the Recreation Fund, reporting that the golf course and driving range are meeting budget. Tennis, golf outdoor athletics, and in-person programming are exceeding net revenue projections, and staff expects tennis and golf camps to meet their projected revenues. Expenses for park ambassadors and non-resident lakefront revenues are expected to exceed projections. Whereas

recreation camp and the Recreation Center of Highland Park is not expected to meet the projected net revenues. Lastly, she reported that total expenses are below projections mostly due to the reduction in payroll and the elimination of the dredging project.

President Ruttenberg would like to know the loss the District is incurring by having the Recreation Center of Highland Park open and operating 7 days a week.

Director Peters reported that staff can provide those figures at a future meeting.

Commissioner Bernstein would like to know why the recreation camp, "Camp Hometown", is not expected to meet the projected net revenue.

Executive Director Romes reported that staff projected revenue from 150 campers, whereas the District only received 40 participants.

Commissioner Bernstein would like to know if the weekly camps are meeting or exceeding the revenue projections.

Executive Director Romes reported that tennis and golf camps are expected to meet the projected and budgeted amounts. We are also offering mini camps for athletics, heller, rosewood, etc.

Commissioner Bernstein would like a breakdown of all camps, to see which camps are meeting or exceeding expectations based on projections.

Director Peters presented a line graph of the District's Recreation Fund which compared the budgeted vs. actual figures while incorporating projected revenues and expenses. She noted that the chart does not include revenue from property taxes or transfers. Prior to the pandemic the District budgeted expenses at \$12.9 million and the revenue at 10.5 million, resulting in a \$2.4 million net loss. As of May, staff projects expenses at \$8.8 million vs. and just over \$5 million in revenue, resulting in a net loss of \$3.7 million. As a result, the year-to-date net difference of budgeted vs. projected is a \$1.3 million net loss. Lastly, she reported that the actual revenue is coming in higher than the projected worst-case scenario and expenses are lower, so the year-to-date net difference as of June 30, from actual vs. projected is positive by \$501,228. Overall, the Recreation Fund is performing better than projected as of the end of June.

Worst Case Scenario Assumptions

Director Peters provided a brief explanation of what to expect should the state regress and possibly return to the stay at home order. She reported that the District is projecting a possible district-wide closure starting the week of Thanksgiving through January 2, 2021. The only revenue anticipated during this worst-case scenario is property taxes. Staff used the June expenses to create projections for November and December, since all the reductions and accrual adjustments have come through. Additionally, refunds will need to be processed during this time for session 2 of Fall programming; however, staff are preparing "turn-key" solutions for missed days, regression to Phase 3 of Restore Illinois, or the worst case scenario which is the implementation of the stay at home order. Lastly, she reported that transfers would not be made should these assumptions come to fruition.

Director Peters presented a line graph showing the District's General and Recreation Funds comparing the budgeted vs. actual figures while incorporating projected revenues and expenses should the virus

resurge and restrictions return. She reported that all projections will remain the same, until November and December. She reported that staff are projecting the District would take another \$300,000 loss should the virus resurge. However, these assumptions do not include the actual revenue which will be generated from July through October, so the projected net difference which is currently a loss of \$1.2 million could be less.

Commissioner Grossberg would like to know why staff selected June expenses to reflect November and December projections.

Director Peters reported that June was the month with the least amount of expenses since the District's budget cuts caught up and the reflections were clear in the financial statements. Staff would anticipate the expenses in November and December to mirror the June expenses.

Commissioner Grossberg would like to know how concerned should staff and the Park Board of Commissioners be over the additional \$300,000 loss.

Director Peters reported that staff are working on turnkey solutions, which the District is prepared to quickly adapt and transition to at this time. She reminded the Finance Committee Liaisons and members of the park Board that this model assumes no revenue will be generated, which is unlikely since staff will have remote programming readily available.

President Ruttenberg asked staff if additional cuts could be made to the District's current expenses.

Director Peters reported that the District suspended or canceled agreements with Comcast, magazine subscriptions, garbage disposal services, and similar agencies. She reported that staff are scrutinizing all expenses and making cuts where possible.

Commissioner Bernstein reported that staff have always been diligent in limiting expenses while trying to maximize revenue. He is pleased that these reports project that even under the worst-case scenario the Park District of Highland Park will be able to absorb the projected losses, even if COVID-19 resurfaces.

Monthly Payroll

Director Peters reported that the District budgeted around \$10 million in payroll expenses. However, by furloughing staff and reducing employee hours, staff projected the expenses as of December 31 to be around \$7.5 million. She is pleased to report that the actual expenses are trending lower than projected due to the hiring and merit freeze, so overall payroll is trending favorably. The year to date net difference is a \$248,095 net savings when comparing actual vs. projected.

President Ruttenberg is pleased to see the budgeted amount in payroll expenses for the end of June was \$4.5 million and the actual year-to-date is \$3.3 million.

Commissioner Grossberg is pleased with the payroll report and hopes the trend follows suit.

Cash Flow Projections

Director Peters reported that a top priority is maintaining \$4.6 million within the General and Recreation Funds, to comply with the 25% reserve policy set for both funds. She reported that the monthly projections for cash on hand are very close to the budgeted figures and staff projects the District should have a little over \$12 million in cash on hand as of December 31 vs. the \$11.9 million budgeted.

Commissioner Grossberg would like to know if most of that available cash on hand is due to property taxes.

Director Peters reported a good amount comes from property taxes, but this also includes programming revenue and savings made from cancellations and employee reductions.

Commissioner Bernstein would like to know if the cash on hand excludes the Capital Fund.

Director Peters reported that the cash on hand is from the General and Recreation Fund, it excludes the Capital, Special Recreation, and Debt Service funds.

COVID-19 related expenses

Director Peters provided a couple highlights from the District's most significant COVID-19 related expenses. She reported that staff have been tracking expenses since March, in hopes of receiving public assistance from Lake County and IEMA/FEMA. Additionally, the Park Districts and Lake County are consolidating to receive financial assistance from the CARES ACT, which is dispersing \$122 million to organizations in need. Overall, staff projected \$32,935 through December 31 of COVID-19 related expenses. As of June 30, the actual expenses incurred from COVID-19 are \$17,792. As for staffing expenses, she provided an update specific to lakefront staffing expenses. Staff projected the total staffing expenses from June 1 through Labor Day would be \$55,000; however that number has increased due to the security needs at lakefront properties, and staff are projecting the District will spend a little over \$80,000 in staffing for the lakefront. Director Peters also reported that the District budgeted \$130,000 in expenses to the City of Highland Park for police services, but that contract was cancelled in March, so the District saved \$91,000 from that expense line.

Commissioner Bernstein would like the COVID-19 Financial Forecasts reviewed and updated monthly and asked if an update could be provided to the entire Park Board of Commissioners.

Executive Director Romes reported that the entire Park Board of Commissioners will receive this update at the July 28th Board Meeting.

Capital Budget review of Tier's 3-5

Tier Prioritization Report

Director Smith reported that staff have developed a prioritization plan for capital projects to determine which projects should commence in 2020 and which should be deferred to 2021. At the June Finance Committee Meeting, staff only reviewed two of the five tiers, so he presented the remaining three tiers.

Tier 3 are existing assets that are scheduled to be replaced as these assets have met their useful life. A large portion of the capital plan falls under Tier 3.

Tier 4 projects are improvements to existing items. If ignored it would not limit or impact operations.

Tier 5 are new items and would add capacity or improve programming. If ignored it would have no impact on the District's status quo.

Moraine Park

Director Smith reported that the ravine restoration was a joint project with City of Highland Park, the Army Corps of Engineers, and the Park District known as the Ravine 10 Restoration. After meeting with the City of Highland Park, staff would like to defer this project for two years. The City and the Park District feel the project is beneficial, but it is not a priority due to the pandemic. At that point, the District can reassess its financial situation and determine whether or not it is recommended to proceed.

Commissioner Grossberg is concerned and feels the path restoration is a high priority since it poses a safety issues since people are still accessing the beach and the park.

Director Smith reported that the joint restoration known as the Ravine 10 Project would restore the natural areas and habitat of the ravine and cover the exposed power lines running along the bottom of the ravine. The pathway repairs are not included in the Ravine 10 Project. The Park District still plans to repair the pathway.

Commissioner Grossberg thought the failure of the ravine was causing the pathway to erode, so he would like to know why the Ravine 10 Project does not include repairs for those amenities.

Director Smith reported that the plans to rebuild the path will address any needed improvements in the ravine. He will share those designs and documents with the Park Board of Commissioners.

Centennial Ice Arena

Commissioner Bernstein would like to know if there are additional documents needed to support the recent grant application submitted by the District for the renovations at Centennial Ice Arena.

Director Smith reported that staff does not need additional documents. If awarded the grant, the District has a 2-year window to complete the project, which staff feel is more than sufficient time to complete the planning and the facility renovation.

President Ruttenberg would like to know what the plan is for gymnastics.

Director Smith reported that, the renovation is a 2-part project. \$2 million is budgeted for facility repairs and a little over \$1 million for gymnastics. This is all up for discussion and will be presented to the entire Park Board of Commissioners as more planning documents are received.

President Ruttenberg asked if this includes the integration of gymnastics to West Ridge.

Director Smith reported that this includes the integration, so the funds will most likely transfer into West Ridge Center once we are ready to begin the project.

Golf Learning Center

Commissioner Bernstein would like to know if there are any plans for improvements at this facility.

Director Smith reported that the only projects for this year are the ADA renovation of the restrooms, which staff identified as a Tier 1 and 2 projects.

Commissioner Bernstein would like to know if there are significant capital improvements.

Executive Director Romes explained that there are no significant capital improvements aside from cost to maintain equipment and the ADA restroom renovations.

President Ruttenberg would like to know what the plans for the Dome are.

Executive Director Romes reported he has been in communications with the owner of the facility and he would like to donate the dome to the Park District. Additionally, he has expressed interest in providing a large endowment fund to be used for scholarships for employees of the Park District, who are high school or college students, to help cover tuition costs. Staff have not had the opportunity to put together an appropriate business plan since the lease expires in May 2021. However, staff are keeping in communication with the owner and his proposed donation and scholarship endowment.

Commissioner Bernstein would like to know how much the City of Highland Park receives in net revenue from the Golf Learning Center.

Executive Director Romes reported that the City of Highland Park receives 50% of that net revenue from that facility, however the facility has not yet ended the year with a net surplus.

Commissioner Bernstein would like to know if staff expects the Golf Learning Center to generate net revenue this year.

Executive Director Romes reported that net revenue was not budgeted nor projected, but there is a possibility since programming is doing well and funds are trending favorably.

Commissioner Bernstein suggests any net revenue that could be accumulated this year, be set aside in a fund to help cover the costs of the parking lot repairs, since the City of Highland Park is responsible for funding 50% of that project.

Executive Director Romes reported that the agreement states, if the Park District of Highland Park expend capital revenue, the lease payment reduces to 25% of net revenue to help offset the capital expense which the Park District incurs.

President Ruttenberg and Commissioner Bernstein would like staff to keep this on their radar, suggesting to further discuss at a future Finance Committee Meeting, since the parking lot needs work.

Executive Director Romes reported that staff are providing a golf mid-season usage report at the August 11 Workshop Meeting.

West Ridge Center

President Ruttenberg would like to know when and how staff are planning to approach the replacement of West Ridge Center.

Director Smith reported that this is a priority and the Planning Department is mapping out steps for the rest of this year. Staff will present this plan to the Park Board of Commissioners at a future board meeting.

Executive Director Romes reported that staff had to adjust plans due to the pandemic. Unfortunately, the schools and partner organizations are not discussing these plans at this time.

Segregation of Duties Audit Findings

Executive Director Romes reported that employee hiring, and the processing of payroll are functions of the Human Resources Department. He noted that payroll processing has been a function of the Finance Department in the previous years, but leadership has felt payroll is more appropriately suited for Human Resources. This is common amongst many Park Districts and similar agencies. Over the years, the Park District's auditors have never presented any concerns that payroll processing be a function of Human Resources since the Park District has always had strong accountability and procedures in place to ensure District integrity. However, the Park District's new auditors Sikich, LLP raised concerns stating payroll duties should be separate from Human Resources and those functions best be held in the Finance Department. After Sikich interviewed staff from Human Resources and Finance to better understand the District's operational procedures and internal controls, it was recommended by Sikich, LLP that procedures be documented, including that payroll change reports be reviewed by the Human Resources and Finance Department to ensure all changes are appropriately approved. As requested, staff documented and implemented these controls. As a result, staff recommends payroll processing remain a function of Human Resources.

Other Business

Director Peters reported the next Finance Committee Meeting will be August 6 at 9:00 a.m. and August 20 at 4:00pm.

The meeting adjourned at 10:16 a.m.

