

MINUTES OF A FINANCE COMMITTEE MEETING OF THE BOARD OF PARK COMMISSIONERS OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON THURSDAY, NOVEMBER 24, 2020, 4:00PM. 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 Dunn, Director Gogola, Director Voss, Director Smith, Director Carr; Assistant Director Maliszewski; Manager Ochs, Manager Warsaw; Accountant Rosen; Accounts Payable Lakoske; Manager Johnson; Coordinator Hejnowski

Guest Speaker: None

Public Comment for Items on the Agenda

None.

November 5, 2020 Finance Committee Meeting minutes were approved.

Financial Projections

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 November 24, 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.

June Budgeted vs. Actual vs. Projected Operations if COVID Returns (General & Recreation Funds)

Director Peters reported that the Park Board of Commissioners asked staff in June to prepare financial projections assuming COVID positivity rates and hospitalization cases would increase come cold and flu season, so she presented a chart of operations which examines the budgeted, actual, and projected revenue and expenses for the General and Recreation Funds assuming the Park District would have to enforce a second closure by Thanksgiving. Director Peters reported that the District budgeted \$21.7 million in revenue and budgeted to spend \$18.6 million, which provided a \$3 million surplus for the end of the year. Due to the pandemic and its financial impacts, staff are projecting \$15.1 million for the year-end revenue and to spend \$13.5 million, which provides a \$1.5 million surplus for the end, however, this is a net \$1.5 million net reduction from the originally budgeted surplus.

Difference between June Projections vs. November Projections Previous

Director Peters reported that the second closure, even though it is not as stringent as the first, occurred one week earlier than originally projected. As a result, the Park District has refunded \$53,829 in fitness memberships, \$1,254 from aquatic programs, \$10,946 from youth tennis lessons, and \$4,489 from adult

tennis lessons. Staff are projecting an additional \$24,674 will be refunded from athletic programs and \$38,032 from programs at Centennial Ice Arena in December.

November Budgeted vs. Actual vs. Projected Operations if COVID Returns (General & Recreation Funds)

Director Peters reported that the District budgeted \$21.7 million in revenue and budgeted to spend \$18.6 million, which provided a \$3 million surplus for the end of the year. Due to the pandemic and its financial impacts, staff projected in June a reduced surplus of \$1.5 million. As of October 31, 2020, Director Peters reported that athletics had a \$142,000 surplus, Centennial Ice Arena had a \$60,000 surplus, Sunset Valley Golf Club had a \$700,000 surplus, indoor tennis had a \$100,000 surplus, outdoor tennis has a \$130,000 surplus, the Golf Learning Center had a \$170,000 surplus, Rosewood Beach had a \$60,000 surplus, and Park Avenue Boating Facility had a \$30,000 surplus, which has helped the District accumulate \$15.6 million in actual revenue. Due to the second closure, staff are projecting about \$16 million for the year-end in actual revenue and to spend \$13.1 million, which provides a \$2.8 million surplus for the end of the year. She is pleased to report that the District budgeted to spend \$10 million in payroll expenses, however, due to significant reductions and furloughs staff are projecting to spend \$7.5 million as of December 31, which is a 25% savings. Overall Director Peters reported that the net difference from the budgeted vs. the year end-projections is \$202,882.

President Ruttenberg would like a bar chart examining the monthly revenue and expenses in addition to the line chart which staff has been updating and reviewing their findings with the Finance Committee Liaisons.

Director Peters reported that staff are currently working on the requested chart, which will be reviewed at an upcoming meeting.

Commissioner Bernstein would like to know if the revenue projections include revenue from property taxes.

Director Peters reported that revenue from property taxes is included in the projections until mid-November, however, there is no support from property taxes in December, as the District received a letter from Lake County indicating that property tax disbursements would conclude in November.

Commissioner Bernstein would like to know how much of the actual and projected revenue is supported by operational revenue vs. property tax revenue.

Director Peters reported that staff projected to collect 94% of revenue from property taxes, which aligned with the actual disbursement, so the surplus in actual revenue vs. the projected is due to operational revenue.

President Ruttenberg would like staff to create a chart of the budgeted vs. actual vs. projected operations if COVID returns without property tax revenue.

Director Peters reported that staff can create a chart of the budgeted vs. actual vs. projected if COVID returns without property taxes for the Recreation Fund.

Commissioner Bernstein would like to know if the additional care package is still available for those employees collecting unemployment.

Director Dunn reported that the additional care package for unemployment claims expired in July. Any one employee filing for unemployment from the Park District will receive the standard rate moving forward.

Commissioner Bernstein congratulated staff since the net difference from the budgeted vs. the year end-projections is \$202,882 and would like to know if the transfer from the recreation fund to the capital fund will increase.

Director Peters reported that the transfer from the recreation fund to the capital fund will still be the reduced and conservative amount of \$1 million since it is still unsure what next year will hold. Additionally, she reported that the Park District will not receive support from property taxes until May of 2021, and since the Park District has become very reliant upon that revenue, the District's financial advisors, PMA, advise against transferring more than \$1 million to the capital fund.

Commissioner Bernstein would like to know why the District's financial advisors are recommending exceeding the fund balance policy for the general and recreation funds.

Director Peters reported that the District's financial advisors provided this recommendation due to the amount of uncertainty surrounding COVID during the first and second quarter of 2021. Additionally, neighboring Park Districts have reduced their number of capital projects and are budgeting a conservative transfer from the recreation fund to the capital fund for 2021.

Commissioner Bernstein would like staff to update the budgeted vs. actual vs. operational chart, which examines both the general and recreation funds, to include figures over the next 6 months based on the worst-case scenario. He would like to see what the projected revenue and expenses are vs. the required revenues needed based on the 25% reserve policy.

2021 Budget Review

Director Peters reported the 2021 budget may require more adjusting as the year goes on given the lack of stability in the world. Staff's goal is to exceed our revenue projections and generate more revenue than budgeted while spending less.

Budget Calendar

Director Peters reported that today's budget discussion will review the district-wide budget comparison, district-wide salaries, and the district-wide fund balance. Next Thursday, December 3, the Finance Committee will meet to further discuss the 2021 budget examining the fund budget comparison and the recreation fund by center and facility. On Thursday, December 17 the Finance Committee will review the draft budget book which examines the capital fund, so the Finance Committee liaisons have three opportunities to make changes to the budget before it will be presented to the Park Board of Commissioners at the January 12 Workshop Meeting. Staff will be asking the Park Board of Commissioners to approve the budget ordinance at the February 23 Regular Board Meeting. However, the final budget is not due to the County until March 31, 2021, so staff and the Park Board of Commissioners has a little bit of leeway should further revisions need to be made.

2021 Budget Highlights Assumptions

Director Peters reported that the 2021 budget assumes that the state will be in Phase 4 of the governor's restorative plan, however, there is a COVID contingency plan which allows programs and staff to quickly transition across tiers of the governor's plan. Regarding revenue, the Park Board of Commissioners

approved the flat tax levy, so those figures are reflected in the 2021 budget. The 2021 budget excludes impact fees from the City of Highland Park as well as FEMA relief which the District may qualify for and any other stimulus bills which could become available in the future. Additionally, the income amount has been significantly reduced due to 0% rates. Lastly, recreational programming revenue will be at 50%. As for expenses, Director Peters reported that as of April 1, 2021, the District plans to resume merit raises at 3% and will begin filling less than half of the vacant or eliminated positions. Additionally, two contractual positions will be reduced, wages will reflect the increase in the minimum wage requirement, there will be a significant increase in expenses for unemployment claims and will include the costs for a consulting firm who will help develop the District's updated Strategic Plan.

District Wide Budget Comparison

Director Peters reported that staff compared the 2021 budget to the 2020 budget. The 2021 budget has a decrease in total revenue by 14%, which is largely due to the 50% reduction in recreational programming revenue which causes the District's total expenses to reduce by almost 10%.

As for transfers, she reported that the debt services fund will receive \$622,515 from the general fund and \$933,733 from the recreation fund to help pay for the bonds. Additionally, the capital fund will receive a \$1.5 million transfer from the recreation fund and \$300,000 from the special recreation fund. She reminded the Finance Committee Liaisons that the transfers to the capital fund have been reduced for this year, \$ 1million will be transferred from the recreation fund and \$150,000 from the special recreation fund.

Commissioner Grossberg would like to know if there have been discussions regarding possible reductions to pension contributions.

Executive Director Romes reported that the Illinois Mutual Retirement Fund (IMRF) determines the contribution rate for the Park District. The District cannot dictate how much the District and employee pays towards the pension.

Director Dunn reported that employees pay a flat rate based on their wages every pay period. Based on the pool of employees which the Park District has and their retirement eligibility vs. employees who have retired, she reported that IMRF has a complex formula that is used to determine the Park District's annual contribution rate while ensuring that the District stays within IMRF's required funding level.

President Ruttenberg reported that many governmental agencies borrow from the state's retirement fund by not paying their annual contribution, however, the Park District of Highland Park does not borrow anything, so the District is not accumulating interest or extra costs. He reported that the Park District is fully funded every year, which is reflected in the District's annual contribution. Additionally, President Ruttenberg would like to know if the transfers to the debt service fund are an internal transfer or external payments.

Director Peters reported that payment out of the debt service fund is incorporated in the total expense line.

District Wide Comparison Year-Over-Year (excludes capital and the bonds)

Director Peters shared a report comparing the 2020 budget vs. the 2021 budget, highlighting significant changes in revenue and expenses. As for programming, she reported that the 2021 budget assumes the region will be in Phase 4 of the Governor's restorative plan, which permits programming to operate at

half capacity, so revenue and expenses in 2021 have been reduced by 29%. Membership revenue has been reduced by 65%, camp revenue is expected to decrease by 53% causing expenses to decrease by 42%, and special event revenue is expected to decrease by 50% causing expenses to decrease by 46%. Due to the significant reductions in programming, expenses for materials and supplies have been reduced by 20%. Likewise, salaries have been reduced by 8%. Lastly, she reported that since the Park Board of Commissioners approved the flat tax levy, the 2021 budget has a 1.71% reduction in revenue related to property taxes, however interest income is being reduced from \$170,000 to \$15,000 in 2021. Overall, she reported that the Park District budgeted a \$1.6 million surplus in 2020, whereas 2021 staff are projecting a \$1.2 million deficit in district-wide operations reporting that camps and memberships are projected to lose \$1 million in revenue.

Commissioner Bernstein would like to know which areas will be impacted by the reduction of 76% to the District's net surplus.

Director Peters reports that capital projects are the only areas that will be impacted, as the transfers from the general, recreation, and special recreation funds are being reduced. The reduction will not have a negative impact on operations or the District's fund balances.

Commissioner Bernstein would like to know if the reduction is reflected in the District's 5-Year Funding Model.

Director Peters reported that the reduction should not come as a surprise, as the reduction is reflected in the District's 5-Year Funding Model.

Fund Balance Projections

Director Peters reported that staff plans to transfer \$1.5 million from the recreation fund and \$300,000 from the special recreation fund to the capital fund in 2021. As of December 31, 2021, staff are projecting the general fund will have \$3.6 million after transfers which is \$1.4 million higher than the reserve policy, the recreation fund will have \$4.6 million after transfers which is \$4.6 million higher than the reserve policy, and the special recreation fund will have a little over \$114,000 which meets the 15% reserve policy.

Commissioner Bernstein would like to know how the 2021 fund policies relate to balances the District has had over the past 5 years.

Executive Director Romes reported that staff could transfer more money from the general and recreation funds to the capital fund, however, due to the uncertainty surrounding COVID and which level of mitigation our region will be in staff are advising against this and would like to have the money available as a safety net should we pivot to a shelter in place.

Commissioner Bernstein would like to know if keeping such a high fund balance is fiscally responsible.

Director Peters reported that the District's financial advisors recommended this, so she feels this is the most fiscally responsible decision. As restrictions lift, staff could always transfer more, however until then it is best to urge on the side of caution.

COVID Staffing Contingency

Director Peters reported that the finance department has been monitoring full-time equivalents, which includes full-time and part-time class employees since they are benefit eligible. In 2020, the District has 112 full-time equivalents, whereas the District budgeted for 103 full-time equivalents in 2021, which is an 8% reduction. However, staff plans to resume 3% merit increases as of next April which is \$153,329 expenses, plus \$3,100 for anniversary awards, and \$408,487 to fill 8 full-time equivalent positions which are currently frozen. This increases the budget by roughly \$550,000 for staffing.

Commissioner Grossberg reported that the District is not locked into these expenses, so the park Board of Commissioners can make decisions at a later date.

Commissioner Bernstein would like to know when the 2021 budget will be presented to the Park Board of Commissioners.

Director Peters reported in January, however, the Finance committee will meet several times before then to further discuss the 2021 budget.

Audit Schedule and Engagement Letter

Director Peters reported that staff received a copy of the engagement letter from Sikich which outlines the accounting principles which will be utilized during the upcoming annual audit. Sikich will begin preliminary fieldwork in January so the audit can be conducted from March 15 – 19. Sikich will present the audit on May 20, and the CAFR will be presented at the June 22 Regular Board Meeting.

President Ruttenberg would like to know how the audit will be conducted if facilities remain closed to the public.

Director Peters reported that the auditors will utilize the board room and multi-purpose room at West Ridge. We would encourage most staff to work from home to keep interactions limited.

Commissioner Bernstein thanked Director Peters for her presentation.

Rosewood Beach Project Updates

Director Smith reported at the October 27th Board Meeting that staff reviewed the back of beach protection options for the Interpretive Cove along with repair options for the boardwalk, however, the Park Board of Commissioners decided against construction, so the District has \$3,700 remaining on their contract with SmithGroup for construction documents for the Interpretive Cove and \$1,840 remaining on their contract with SmithGroup for construction documents for the Boardwalk. Since SmithGroup already began the permitting process for both projects, Director Smith recommends finalizing the construction documents since the permits and construction documents will still be valid for several years.

Commissioner Grossberg wanted to make sure there was a balance of lakefront needs at the October 27th Board Meeting, so while he voted against construction, he is in favor of selecting a solution so SmithGroup can create the construction documents and close out the contracts.

Commissioner Bernstein would like to know when this will be presented to the Park Board of Commissioners.

Director Smith reported that this could be presented in December.

Executive Director Romes reported that staff needs consensus from the Park Board of Commissioners to proceed with construction documents for either the mid-term trapbag solution or the long-term installation of a sheetpile wall with armor stone for the Interpretive Cove, along with construction documents for the use of chemical grout, a concrete slab, or sheetpile wall to repair the boardwalk.

Director Smith reported that staff are recommending the mid-term trapbag approach for the Interpretive Cove along with injecting a chemical grout underneath the boardwalk to fill the void. Unfortunately, he reported that the chemical grout will not raise the concrete slab, but it will stabilize the area, and since this solution has up to a 15 year lifespan and costs \$15,000, staff are recommending it.

Commissioner Bernstein, Commissioner Grossberg, and President Ruttenberg are in support of the recommended solutions, which would permit SmithGroup to create construction documents for the mid-term trapbag approach for the Interpretive Cove and the use of chemical grout to repair the boardwalk. They would like staff to present these items in December to get consensus from the Park Board of Commissioners.

Other Business

Director Peters reported that the next Finance Committee Meeting will be held on Thursday, December 3 at 4:00 p.m. and Thursday, December 17 at 4:00 p.m.

The meeting adjourned at 5:29 p.m.