

**PARK DISTRICT OF HIGHLAND PARK
BOARD OF PARK COMMISSIONERS
MINUTES OF WORKSHOP MEETING
NOVEMBER 10, 2020**

The Workshop Meeting of the Board of Park Commissioners of the Park District of Highland Park 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 Workshop Board Meeting.

The meeting was called to order at 6:00 p.m. by President Ruttenberg.

ROLL CALL

Present: Commissioner Bernstein, Commissioner Grossberg, Commissioner Flores Weisskopf, Vice President Kaplan, President Ruttenberg

Absent: None

Staff Present: Executive Director Romes; Director Smith, Director Voss, Director Dunn, Director Peters, Director Gogola, Director Carr; Assistant Director Maliszewski; General Manager/Superintendent of Golf Operations Ochs

ADDITIONS TO THE AGENDA

President Ruttenberg removed the Preserve of Highland Park Project Update and the Review of Vouchers from the Agenda since the roof of West Ridge Center suffered weather-related damages from the current storm, and water is currently leaking into the facility.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA – None

DRAFT OF THE TRUTH IN TAXATION RESOLUTION

Director Peters reported that the District is preparing for the 2020 Tax Levy which affects the District’s 2021 financial statements and tax extension. She reported that this presentation has been shared and adjusted based on recommendations at the October 22 and November 5 Finance Committee Meetings.

2020 Tax Revenue vs. Operating Revenue

Director Peters reported that in 2019 property taxes accounted for 53% of the District’s revenue vs. operations which was 47%. She was pleased to report, that these figures nearly mirrored the 2011 ratio, so the tax revenue vs. operating revenue has not changed over the last 10 years, however, staff are anticipating property taxes to make up a much larger percentage of the District’s revenue for 2020 due to the significant reduction and cessation of operations because of COVID-19. Director Peter’s reported that as of October 31, property taxes account for 65% of the District’s revenue vs. operations which is 35%. She reported that this shift is important to recognize since operational revenue feeds the capital budget.

Tax Refresher

Director Peters reported that property taxes provide critical funding to support the Park District’s mission to maintain the community’s assets, which includes repairs and replacements of the District’s \$68 million

of insured assets, parks, and properties that support the general fund's operational maintenance of 45 parks, 4 lakefront properties, and nearly 800 acres of open space and 11 facilities, and \$30 million in capital projects which are scheduled to occur over the next five-years. Additionally, Director Peters reported that the Park District has a tax cap, which is unlike most cities and municipalities. The Park District's Tax Cap law indicates that the recreation and general funds are subject to a tax cap and current law restricts park district to limit increasing their levy by the CPI of 2.3% and new growth which is estimated at \$25 million for this year.

Special Recreation Fund

Director Peters reported that the special recreation fund is unique since it is solely funded through the tax levy which can be taxed up to .04% of the total EAV of property throughout the District and it is a non-capped tax fund. She reported that the difference between the recreation fund and the special recreation fund is that the recreation fund offers programs for fees in addition to the tax levy it receives whereas the special recreation fund is only funded by the tax levy and most of the revenue collected for that fund is distributed to the North Suburban Special Recreation Association (NSSRA). When examining spending from the special recreation fund the Park District has NSSRA obligations which include an annual member agency contribution of \$162,000, \$90,000 a year for inclusion companions which are provided by NSSRA to support program participants with special needs, and unique to this year, a one-time capital building contribution to support the development of NSSRA's new facility. Unfortunately, Director Peters reported that the need for inclusion companions has been significantly reduced this year due to the pandemic, so the District has only contributed \$11,000 of the \$90,000 budgeted for and NSSRA predicts the cost for inclusion companions will be reduced in 2021, to an estimated \$50,000, assuming that the state will remain in Phase 4 of the governor's restorative plan. Additionally, the pandemic put the construction of NSSRA's new facility on hold, so the District's one-time capital building contribution of \$361,125 has been deferred until 2021. In addition to NSSRA obligations, the Special Recreation Fund also supports the District's capital projects, including ADA improvements and accommodations.

Tax Levy Considerations

Director Peters provided a summary of things to consider when making decisions regarding the tax levy, such as uncollected tax revenue cannot be recaptured, increasing the levy by the CPI and new growth avoids a negative impact on all future levies and long-term funding for capital repair and replacement which in years past when taxes were frozen left millions in uncollected tax revenue. Levying the full allowable amount for the special recreation fund allows funding for the Park District to comply with ADA facility standards and supports ADA services. The tax cap already limits the District's ability to keep up with inflation because the cost to deliver services is rising at a higher rate than the CPI, for example, Director Peters reported that the District's technology costs have increased well over 100% over the past several years vs. the CPI which has only increased by 6%. Another example is minimum wage, which the District is increasing by \$1 in 2021 at that wage threshold, which will increase far beyond the CPI's increase over the next several years. If the District does not levy the full allowable amounts for all funds, the District will be giving up necessary revenue that supports mission-critical facilities and services without an alternative source to replace it. Not levying the allowable increase will decrease the District's fund reserves, which could harm the District's Triple-A bond rating, thus costing the District more to borrow money and not being good stewards of community assets. The Park District is roughly 7% of a resident tax bill and a full levy would increase the average homeowner's taxes by \$26. Finally, Director Peters reported that during the pandemic, levy considerations must evaluate taxpayer's savings vs. benefits supported by tax funding for park and recreation services which is the difference between a flat levy vs. a full levy.

Full Tax Levy vs. Flat Tax Levy

Director Peters reported that a full levy would allow the Park District to request a full CPI increase of 2.3% for tax capped funds which impacts the general and recreation funds, a full increase of .04% for the special recreation fund which is an anticipated \$975,000, anticipates 0% change in EAV, and an estimated \$25 million in new growth. She reported that the effect would be a truth in taxation increase of 3.68% with a net levy increase of \$432,439. Whereas a flat tax levy would allow the Park District to request a full CPI increase of 2.3% for tax capped funds which impacts the general and recreation funds, anticipates 0% change in EAV, and an estimated \$25 million in new growth. However, the Park District would reduce the levy in the special recreation fund from .04% to .0245%, which would be a \$385,000 reduction in tax. In this case, the truth in taxation would a 0% increase, which she reported is a true flat tax so long as a homeowner's EAV remains constant. This is a \$539 net levy increase.

President Ruttenberg would like to know if the effect of the flat tax levy indicates that if a homeowner paid \$100 in taxes to the Park District in 2019, they will pay the same amount to the Park District this year.

Director Peters reported the amount will remain the same so long as a homeowner's EAV remains the same.

Special Recreation Fund Flat Tax

Director Peters shared a graph comparing the 2020 fiscal year vs. the 2020 budget vs. the 2020 projected figures and the overall difference. She reported that the 2020 inclusion companion fees were budgeted for \$90,000 however the District has only provided \$11,780 due to the lack of participation from the virus. As for the one-time capital building contribution of \$344,251 budgeted for 2020, she reported that the contribution has been deferred until 2021. Overall, the most significant change is the fund balance as of December 31, indicating that the Park District budgeted \$346,928.38, however, the special recreation's projected fund balance will be \$682,550.32 as of December 31 vs. the 15% reserve policy of \$113,778.84. Director Peters reported that the 2020 special recreation fund balance is going to roll over into 2021 and the proposed tax reduction will not impact 2021 programming participants who benefit from the special recreation fund. Regarding the 2021 fiscal year, Director Peters reported that the District will receive \$480,000 from the reduced tax levy, \$300,000 will be transferred from capital to support ADA projects, and the estimated fund balance will be \$123,757.30 as of December 31, 2021, which the District will still be above the 15% reserve policy. Additionally, if the special recreation fund happens to be short come at the end of 2021, the District could fund necessary ADA capital projects from the capital project fund instead of the special recreation fund.

Commissioner Bernstein would like to know if the fund balance for the special recreation fund is high or overestimated due to the reduction in services from the pandemic.

Executive Director Romes reported that the one-time capital building payment to the development of NSSRA's new facility was deferred until 2021 since construction was placed on hold. NSSRA submitted a grant application to help fund most of the project, and unfortunately, the state will not be issuing grant funds anytime in the near future as a result of the pandemic. Regardless, of the grant funds, the Park District of Highland Park will make their contribution in 2021.

Director Peters reported that the District is rolling over the \$125,000 savings into the 2021 special recreation fund and since the District is proposing a reduced tax levy, the ending fund balance in the special recreation fund for 2021 will be closer to the 15% reserve policy.

Five-Year Funding Model

A. Flat Tax Levy (reduced special recreation levy) Spending Tiers 1-3 for Capital Projects

Director Peters reported that the Park District had \$7.1 million in the capital fund come the end of 2019. This past February a \$7.3 million bond issuance occurred; however, staff are reducing the transfer of funds to capital projects as a result of the pandemic; transferring \$1 million from the recreation fund and \$150,000 from the special recreation fund. Additionally, the capital fund spending was reduced from \$8 million to \$4.3 million, so there will be a balance of \$11.3 million in the capital fund come the end of this year.

In 2021 the District will transfer \$1.5 million from the recreation fund and \$300,000 from the special recreation fund. She reported that the District would be able to transfer \$600,000 from the recreation fund to the special recreation fund if the Park Board of Commissioners approved a full tax levy. Staff are projecting to spend \$5.2 million in capital projects, so the 2021 ending balance will be \$7.8 million in the capital fund.

Looking ahead, Director Peters reported that there will be a little over \$862,541 available in the capital fund come the end of 2023, however, there will be a \$5 million bond issuance in 2024, so the District will have \$2.1 million available in the capital fund come the end of 2024. By the end of 2025, the District will have \$1.9 million available in the capital fund.

Commissioner Bernstein would like to know how much was budgeted to be transferred into the capital fund.

Executive Director Romes reported that the District budgeted \$550,000 which included a payment of \$344,000 for the development of NSSRA's new facility.

Commissioner Bernstein would like to know how much the District typically transfers to the capital fund.

Executive Director Romes reported that the District typically transferred an average \$450,000 per year, however the amount depends on projects.

Commissioner Bernstein would like to know what the net effect will be for 2020.

Executive Director Romes reported that the net effect for 2020 will not change, since the District is not making that one-time capital building contribution, however the transfer from the special recreation fund will be cut in half in 2021, which is a \$300,000 short term loss of funding available for ADA projects.

Commissioner Bernstein would like to know if the one-time capital building contribution is included in the Five-Year Funding Model, Spending Tiers 1-3 for Capital Projects.

Executive Director Romes reported that the one-time capital building contribution is not included in this model, as this pertains strictly to the District's capital projects.

Commissioner Bernstein would like to know why the transfer is so low in 2020, if the District reduced programming expenses for the beneficiaries of the special recreation fund.

Executive Director Romes reported that staff planned and budgeted a significantly reduced transfer to the special recreation fund in 2020, since the District was making a \$344,251 one-time contribution for the development of NSSRA's new facility during the same year.

Commissioner Bernstein reported that even if the District reduced the special recreation levy, the District is still transferring more money than budgeted and will make the \$344,251 contribution to NSSRA.

B. Flat Tax Levy (reduced special recreation levy) Spending All Tiers for Capital Projects

Director Peters reported that the Park District had \$7.1 million in the capital fund come the end of 2019. This past February a \$7.3 million bond issuance occurred; however, staff are reducing the transfer of funds to capital projects as a result of the pandemic; transferring \$1 million from the recreation fund and \$150,000 from the special recreation fund. Additionally, the capital fund spending was reduced from \$8 million to \$4.3 million, so there will be a balance of \$11.3 million in the capital fund by the end of this year.

In 2021 the District will transfer \$1.5 million from the recreation fund and \$300,000 from the special recreation fund. Staff are projecting to spend \$5.4 million in capital projects, so the 2021 ending balance will be \$7.5 million in the capital fund.

In 2022, Director Peters reported that the District will have under \$500,000 in the capital fund come the end of the year, so the District will not be able to fund most capital projects in 2023. Unfortunately, she reported that the \$5 million bond issuance will not suffice, as the District will have a \$2.5 million deficit by the end of 2024.

Truth In Taxation Calculation with a Full Tax Levy

Director Peters reported that Lake County provided the Park District a \$5.5 million extension to the general fund, a \$5.2 million extension to the recreation fund, and \$953,381 to the special recreation fund, totaling an \$11.7 million extension in 2020. If the Park District proposes the full tax levy for 2021, the county would award \$5.7 million to the general fund, \$5.4 million to the recreation fund, and \$975,000 to the special recreation fund, totaling \$12.1 million. Additionally, the District is asking to tax new growth, so the total increase to revenue would be \$432,489, for a 3.68% change to the Truth in Taxation.

Truth In Taxation Calculation with a Flat Tax Levy

Director Peters reported that Lake County provided the Park District a \$5.5 million extension to the general fund, a \$5.2 million extension to the recreation fund, and \$953,381 to the special recreation fund, totaling an \$11.7 million extension in 2020. If the Park District proposes a flat tax levy for 2021, the county would award \$5.7 million to the general fund, \$5.4 million to the recreation fund, and \$590,000 to the special recreation fund, which is a decrease of \$363,000. The total levy would be reduced to \$11.7 million, which is a \$539 net difference resulting in a 0.00% calculation for the Truth in Taxation.

2021 Tax Revenue vs. Operating Revenue

Director Peters reported that based on the 2021 budget, if the Park Board of Commissioners approves a full tax levy staff are projecting property taxes will account for 62% of the District's revenue vs. operations which will be 38%. Whereas if the Park Board of Commissioners approves a flat tax levy staff are projecting property taxes will account for 61% of the District's revenue vs. operations which will be 39%, so the difference is very little.

Summary

Director Peters reported that staff are presenting two Truth in Taxation Resolutions, one proposes a full tax levy which the Park District would be requesting \$12.1 million from Lake County which is based on a 2.3% CPI for a 3.68% change to the Truth in Taxation; or a flat tax levy which the Park District would be requesting \$11.7 million which is based on a 2.3% CPI of the tax capped funds, however, the anticipated overall growth is 0.00%. In conclusion, Director Peters reported that staff are comfortable with either the full or flat tax levy, however, the full levy will help to better support the District's missions. The Park Board of Commissioners will be voting to pass one of these resolutions at the November 17 Board Meeting. Commissioner Grossberg would like to know if staff created a 5-Year Funding Model assuming the District will pivot to Phase 3 of the Governor's restorative plan.

Director Peters reported that staff has yet to create such a model, however, those projections can be discussed at a future meeting.

Executive Director Romes reported that the District entered Phase 3 of the Governor's restorative plan in June and transitioned into Phase 4 as of July. In Phase 3 programs were limited to 10 participants whereas Phase 4 permitted groups of 50 or less. Keep in mind, athletics has separate standards related to competitive play, as Phase 3 only allows for trainings whereas Phase 4 permits levels of competitive play. However, the guidelines have changed since the summer as the Governor introduced Mitigation Plans. Currently, our region is in Phase 4 and level One of the Mitigation Plan, which has little impact on programming. However, Phase 4 Mitigation Level 2 reduces operations. None the less, staff are focusing today on the Truth and Taxation Resolution vs. the Operating Budget, however, staff and our financial counsel recommend the conservative transfers.

Commissioner Grossberg would like to know what repercussions to expect since property taxes are supporting most of the District's revenue stream.

Executive Director Romes reported that staff would like to be less reliant on tax dollars and staff are hoping by 2022 the ratios will shift closer to a 50/50 split.

Commissioner Grossberg would like to know if there is a negative feeling from the community since the District is more dependent on property tax revenue.

Executive Director Romes reported that taxpayers will most likely be questioning if the Park District needs to issue a referendum or close facilities down the road. Most of the taxes will support the maintenance of properties, however, property taxes alone cannot support \$68 million in the Districts assets should this continue beyond 5 years.

Vice President Kaplan reported that the flat tax levy is a \$430,000 loss of revenue for next year. He would like to know how this loss will affect the Park District in future years.

Executive Director Romes reported that a flat tax levy does not have a compounding effect since the special recreation fund is a non-tax capped fund, so this is a one-time revenue loss for 2021.

President Ruttenberg reported that he is comfortable with the flat tax levy.

Commissioner Bernstein reported that the approved 2020 budget fund balance for the special recreation fund was \$346,928. He would like to know why the fund balance was so much higher than the 15% reserve policy.

Executive Director Romes reported that staff always try to aim higher than the 15% reserve policy.

Commissioner Bernstein would like to know if staff has a 5-Year Funding Model examining the special recreation fund and the impacts of a flat tax levy vs. a full tax levy.

Executive Director Romes reported that staff will prepare the requested model.

President Ruttenberg reported that approved ADA capital projects are fully funded, however, if the special recreation fund could not support some of those project costs, staff will transfer money from the recreation or general fund to support those projects, as none of those projects will be ignored as a result of the flat tax levy.

Commissioner Bernstein would like to review the 5-Year Funding Model examining the special recreation fund and the impacts of a flat tax levy vs. a full tax levy to ensure that the one-time reduction with a flat tax levy will not negatively impact programming or services that the District provides to the beneficiaries of the special recreation fund.

Executive Director Romes reported that the proposed reduction for the 2020 flat tax levy will provide much-needed relief to the taxpayers, however, the reduction of net funds in the special recreation fund will not negatively impact programs and services offered to individuals who benefit from the special recreation fund. Additionally, when staff request to levy the full amount next year, there will be a higher increase in the Truth in Taxation as the District is requesting to increase the levy by the full cpi for tax capped (general and recreation funds) and non-tax capped funds (special recreation fund).

Executive Director Romes reported that staff are happy to present both options at the November 17 Board Meeting, however, if the Park Board of Commissioners has a preference from tonight's discussion, they will not present both.

Workshop Meeting Minutes
November 10, 2020

President Ruttenberg and Commissioner Flores Weisskopf are in favor of the flat tax levy.

Commissioner Grossberg, Commissioner Bernstein, and Vice President Kaplan would like to better understand the long-term impacts the flat tax levy could pose on the special recreation fund and asked that both resolutions be presented at the November 17 Board Meeting.

REVIEW OF VOUCHERS

President Ruttenberg reviewed the vouchers reporting that all purchases align with the District's policy.

ADJOURNMENT

A motion was made by Vice President Kaplan and seconded by Commissioner Bernstein and approved by a unanimous vote. The Board Meeting adjourned at 7:06 p.m.

Respectfully submitted,

Brian Romes, Secretary