

MINUTES OF A FINANCE COMMITTEE MEETING OF THE BOARD OF PARK COMMISSIONERS OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON THURSDAY, DECEMBER 3, 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.

Updated 2021 Budget Review

Budget Calendar

Director Peters reported that the 2021 budget assumes the state will be in phase 4 of the governor's Restore Illinois Plan. However, since it is a living document it can be formally amended to reflect significant changes that occur throughout the year, including a Board Approved Budget Amendment if expenses exceed 10%. She reported that today's budget discussion will review 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. The Board approved Budget and Appropriation Ordinance is due to be filed with the County no later than March 31, 2021, so staff and the Park Board of Commissioners have a little bit of leeway should further revisions need to be made.

Commissioner Bernstein would like to know if this is a one-time exception, where the budget will be approved after December 31.

Director Peters reported that the budget is always due by March 31 of the following year, so it is up to the Park Board of Commissioners whether the budget is approved before or after December 31.

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 be reduced by 10%. 2021 surplus has been reduced

by \$1.2 million, which is a 73% change, which was carefully contemplated by staff. The reduction does not impact operations, it only impacts the amount being transferred to the capital fund, so the reduction reflects the changes to the 5-year funding model. Overall, this is a 4% reduction in the capital transfers year-over-year for the next 5 years. The debt services fund will receive a 40% transfer of \$622,515 from the general fund and a 60% transfer of \$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, so the capital fund will receive a \$1.8 million transfer on December 31, 2021. She reminded the Finance Committee Liaisons that the transfers to the capital fund have been reduced for this year, with \$1 million being transferred from the recreation fund and \$150,000 from the special recreation fund to the capital fund.

Commissioner Bernstein requested that staff add another column to the current chart to include the actual figures for 2020, additionally, he would like to know how much the typically District transfers from the recreation fund to the capital fund.

Director Peters reported that the District transferred \$2.5 million in 2019, and staff budgeted to transfer the same amount in 2020, however, staff have reduced the 2020 transfer due to COVID-19.

2021 Fund Balance Projections

Director Peters reported that the District's financial advisors and Auditors are recommending greater than usual fund balances during the pandemic for operating funds, which includes the general and recreation funds, as staff may have to rely on these funds if the state pivots backward in the Restore Illinois Plan. The balances as of January 1, 2021, are estimated based on the monthly COVID-19 projections and assume the state will be in Phase 4 of the governor's plan. As a reminder, she reported that the special recreation revenue is reduced to \$480,000 due to the decrease in levy for this fund, and the 0% increase to the District's Truth in Taxation Resolution. Additionally, the debt service fund will zero out. Staff projects spending \$5.5 million on capital projects in 2021 for necessary repair and replacement items, so the estimated fund balances for the general and recreation funds as of December 31, 2021, are significantly higher than the District's reserve policies, with the general fund at 63% and the recreation fund at 41%. The special recreation fund is estimated at 17% due to the reduced tax levy. Lastly, since staff are budgeting based on phase 4 restrictions, the District's expenditures are less.

President Ruttenberg would like to know if the District's total estimated fund balance at December 31, 2021 would be closer to \$12 or \$13 million during a normal year.

Director Peters agreed with President Ruttenberg as staff would transfer more to the capital fund.

Commissioner Bernstein requested that staff update this slide to include what the fund balance percentages are for general, recreation, and special recreation funds.

Five Year Fund Balance History

Director Peters reviewed a chart comparing the actual Year End Finances from 2017 – 2019 vs. the projected figures for 2020 and 2021 for the general, recreation, and special recreation funds. She reported that the staff are projecting the District to have a \$4.1 million Fund Balance in the general fund as of December 31, 2020. Overall, the general fund will have a 90% fund balance percentage compared to the 25% Board Policy. As of 2022, staff hopes to resume normal operations, which includes higher revenues and expenditures. Likewise, the recreation fund has a 25% reserve policy, and staff are projecting a \$4.6 million fund balance as of December 31, 2020 reflecting a 54% fund balance percentage. Lastly, she

reported that the special recreation fund has a 15% reserve policy. Overall, this fund is much smaller than the general and recreation funds as expenses are significantly less, so the District keeps less than \$1 million in cash on hand. The special recreation fund balance percentage is 196% and the Park Board of Commissioners proposed a 0% increase to the District's 2020 Tax Levy Ordinance. In 2021, the District's Special Recreation expenditures will be the highest they have been in the past 5 years due to the District's contribution to the Northern Suburban Special Recreation Association (NSSRA) for the construction of a new facility and the fund balance percentage will decrease to 17% on December 31, 2021, which is close to the 15% reserve policy. Director Peters reported, should emergencies arise, staff will transfer money from other funds to support special recreation programming and projects which ensures the Truth in Taxation Resolution will not negatively impact such programs and projects.

Commissioner Bernstein would like to know if staff has budgeted a large enough cushion of available cash on hand for the recreation fund since the fund balance percentage of cash on hand is similar to 2018 and 2019.

Director Peters reported that staff can further reduce the transfer to capital fund, however, the hope is to return to normal operations come the 3rd or 4th quarter of 2021.

Commissioner Bernstein requested as the District moves forward, that staff continues to closely track the estimated fund balances, specifically that the recreation fund does not fall below 41% of available cash on hand.

2021 Budget by Fund

Director Peters reported that the general fund is broken out by administration and parks and the District has 800 acres of property to maintain, which is \$3 million annual expense.

A. General Fund – Administration

Director Peters shared some highlights, including that interest income has decreased by \$155,000, employee salaries and wages has decreased by about 9% which caused the pension contributions to decrease as well, however, insurance costs have increased by \$166,973 since the District is not anticipating additional unemployment relief funds from the government in 2021. Overall, the general fund related to administration will operate at a 2% deficit, or a \$50,000 reduction.

B. General Fund – Parks

Director Peters reported that parks do not generate much revenue. Instead, it is an expense to the District to maintain park and natural areas, so there are very few changes within this budget. With the community's increasing demand for outdoor recreation, employee salary and wages are expected to increase as well as contractual services to help maintain those areas including bridge inspections, a district-wide light pole assessment, and the installation of remote locks on outdoor restrooms. Overall, the general fund related to parks will increase the deficit by 5%.

C. Special Recreation Fund

Director Peters reported that the budget reflects the reduction due to the flat tax levy and shared some highlights. The additional \$350,000 within the 2021 budget will be paid to the North Suburban Special Recreation Association (NSSRA) for the renovation of a new facility. A reduced transfer of \$150,000 from the Special Recreation Fund to the Capital fund for 2020, however, staff will transfer \$300,000 on December 31, 2021.

D. Debt Services Fund

Director Peters reported that there is a \$634 difference in the amount being transferred.

E. Capital Fund

Director Peters reported that the biggest difference from 2020 to 2021 is that the District received \$7.1 million in bond proceeds in 2020, and there are none for 2021. Also, due to funds from the OSLAD grant the 2021 budget has increased by \$210,500. Overall, staff is projecting to spend \$5.3 million in capital projects.

F. Recreation Fund

Director Peters reported that the budget for the Recreation Fund assumes the District will be in Phase 4 of the Governor’s Restorative Plan throughout 2021. Camps and special events have significantly decreased in budgeted revenue along with expenses. Likewise, revenue from fitness memberships has decreased by 65%, or about \$1 million. Overall, recreational revenue has decreased by 19%, so materials and supplies have decreased by 28%. As a result, employee salary and wages will decrease by 11%, insurance will decrease by 5%, and pension contributions will decrease by 13%. The recreation fund had a \$2.8 million surplus in 2020 before transfers, whereas 2021 is budgeted to have a \$2 million surplus, which is a 25% decrease or a \$700,000 difference.

Recreation Fund by Cost Center

A. Administration

Director Peters reported that the 2021 budget reflects a \$118,000 increase in revenue which is due to the 2.3% CPI increase generated from property taxes. As for expenses, there is a \$904,283 reduction due to the reduced amount being transferred.

President Ruttenberg would like to know if the \$118,000 increase is due to the residents being taxed on new growth.

Director Peters reported that the \$118,000 was accumulated by residents whose taxes were on new growth.

B. Athletics and Camps

Director Peters reported that Phase 4 of the Governor’s Restorative Plan significantly impacts operations, so revenue from athletics has decreased by 30% and revenue from camps has decreased by 60%. However, expenses do not mirror these figures as small groups limit the number of participants, but it requires more instructors to operate these programs while following the state guidelines.

Commissioner Bernstein requested that staff provide a short presentation when a decision needs to be made regarding camp operations.

Executive Director Romes reported that staff can offer a presentation at a future Board meeting and review the District’s background and philosophy regarding camps.

C. Special Events

Director Peters reported that special events never generate revenue, however with the Phase 4 limitations, staff projects that the deficit generated from special events will decrease by \$42,000.

D. Hidden Creek AquaPark

Director Peters reported that the District plans to open the Aqua Park this summer at a reduced capacity.

Executive Director Romes reported that staff are planning to sell daily passes or offer reservations instead of memberships.

Commissioner Grossberg would like to know if opening the Aqua Park will significantly increase that deficit.

Director Peters reported that the deficit will increase by 6% or \$8,000.

Executive Director Romes reported that there are significant adjustments being made to operations. Staff are planning to offer designated times for lap swim, camp, and the community. He reported that it is a delicate balance to provide the services which the community desires while trying to reduce expenses, so there will be minimal reductions to lifeguard expense.

Commissioner Grossberg requested that staff provide a short presentation when a decision needs to be made regarding the opening of the Aqua Park and seasonal operations.

E. Golf Maintenance

Director Peters reported that expenses have been reduced by \$21,000.

F. Sunset Valley Golf Club

Director Peters reported that Sunset Valley Golf Club has a \$50,000 increase to its surplus compared to the 2020 Budget.

G. Recreation Center of Highland Park

Director Peters reported that there is a significant reduction in revenue and expenses related to administration, so staff are budgeting the deficit to decrease by \$517,850. Likewise, fitness memberships are projected to decrease by \$1 million so the deficit related to fitness will increase by \$900,000. As for aquatics, Director Peters reported that there are no changes in revenue or expenses from the previous year.

President Ruttenberg would like to know what the total expenses vs. total revenue are for the entire center.

Director Peters reported that the overall change in the deficit is \$400,000.

President Ruttenberg would like to know how much the District profits annually from the Recreation Center of Highland Park.

Executive Director Romes reported that the facility usually breaks even, however, it fluctuates each year. There have been some years where the facility had a \$100,000 surplus.

President Ruttenberg would like to know if other park districts have the same challenges, such as operating at a loss or breaking even.

Executive Director Romes reported that staff can try their best to compare budgets to neighboring districts if the building is strictly a fitness center. The challenge is many neighbors have their fitness center housed in a multi-use facility.

Commissioner Bernstein requested that staff share their plans to reintroduce facilities and programs that have been hit significantly impacted by COVID.

Executive Director Romes reported that staff will provide an update on the Recreation Center in January and can schedule presentations for other facilities and programs throughout the first quarter of next year.

H. Tennis

Director Peters reported that the budget reflects a 24% revenue reduction related to indoor tennis. Usually, indoor tennis generated a \$150,000 surplus, however, staff are projecting a \$25,000 surplus, which is a \$124,000 reduction. Regarding outdoor tennis, revenue is projected to increase by \$13,000, with a slight reduction in the surplus.

Other Business

Director Peters reported that the next Finance Committee Meeting will be held on Thursday, December 17 at 4:00 p.m. to review a draft of the Budget Book and the 5-Year Capital Plan.

The meeting adjourned at 5:03 p.m.