

MINUTES OF A THE FINANCE COMMITTEE MEETING OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON JULY 20, 2021, 4:12 PM. THE MEETING WAS HELD AT WEST RIDGE CENTER, 636 RIDGE ROAD HIGHLAND PARK.

Present: Commissioner Bernstein, Commissioner Freeman, Vice President Grossberg

Also, Present: Executive Director Romes; Director Smith, Director Peters; Director Gogola
Manager Warsaw, Manager Johnson; Administrator Rosen; Accountant
Bhardwaj; Coordinator Hejnowski

Guest Speaker: None

President Ruttenberg joined the meeting at 4:13pm

Public Comment

James Martin
232 Green Bay Road, Highland Park

Requests hosting a gala in January, auctioning off sponsorships for the breakwater and storage spots. Proposing that storage spots would range from 1 – 5 years, since several of the questions from the boating community were related to the \$10,000 for a 10-year commitment. Some members of the boating community are opposed to a 10-year commitment and would like to know what the penalties would be for canceling or if there is an option to sell or sublease their storage spots. As for the sand ramp, he requested that it be widened by 2 ft so he could use it to launch his jet skis.

Approval of Minutes

The minutes from the June 14, 2021 Finance Committee Meeting Minutes were approved.

Capital Projects Funding Models/Concepts Draft

A. *Updated 5-Year Capital Projects Funding Model*

Director Peters reported that while the 5-Year Capital Projects Funding Model is a still a draft concept, she would like to share recent updates with the Finance Committee.

Funding Sources and Park District Policies

As a Park District, 50% of revenue is supported by property taxes, 45% is supported by programming fees, and 5% is supported by grants, donations, and investment income. The Park District also can issue debt as a source of revenue; however, some strict policies and limitations must be adhered to when issuing debt revenue.

5-Year Capital Projects Funding Model

As a reminder, the District's 5-Year Capital Plan indicates how much the District is planning to allocate each year for capital repair, replacement, and improvement projects based on the established prioritization tiers for capital projects. She reported that maintenance projects have been prioritized under Tier's 1-3 vs. improvement projects which have been prioritized under Tier's 4 -5.

She shared an image of the updated funding model, which includes funding for Tier's 1-5. As of December 31, 2020, the District had \$11.4 million in the capital fund. As a result, the District proposes to transfer \$1.5 million from the recreation fund, \$1 million from the general fund, and \$510,079 from the special recreation fund to the capital fund in 2021. Staff budgeted to spend a little over \$5 million in capital projects this year, so between the transferred revenue and projected expenses, there will be \$9.3 million available in the capital fund as of December 31, 2021.

For 2022, staff would like to transfer \$2 million from the recreation fund, \$1.5 million from the general fund, and \$614,115 from the special recreation fund to the capital fund. Staff are budgeting for \$9.1 million in capital expenses, which would leave \$4.3 million in the capital fund as of December 31, 2022.

For 2023, staff would like to transfer \$2 million from the recreation fund and \$415,500 from the special recreation fund to the capital fund. Staff are budgeting for \$4.8 million in capital expenses, which would leave \$1.8 million in the capital fund as of December 31, 2023.

For 2024, the District will be able to issue \$5 million in bonds, which would allow the District to transfer \$2 million from the recreation fund and \$507,500 from the special recreation fund to the capital fund. Staff are budgeting for \$7.2 million in capital expenses, however thanks to a proposed bond issuance, there would be a little over \$2 million available in the capital fund as of December 31, 2024.

For 2025, staff would like to transfer \$2 million from the recreation fund and \$552,500 from the special recreation fund to the capital fund. Staff are budgeting \$3.3 million in capital expenses, which would leave \$1.3 million in the capital fund as of December 31, 2025.

Overall, staff are pleased to report that the current draft concept of the 5-Year Capital Plan would allow for maintenance and improvements, however the District still has several unfunded projects, all of which are expected to cost over \$1 million in repair or replacement. These include West Ridge Center, which is estimated between \$12 - \$15 million, the Park Avenue Breakwater and Boat Ramp which is estimated at \$1.5 million, the Park Avenue Site Master Plan, which is estimated at \$2.5 million, the Sunset Woods Park Site Master Plan, which is estimated at \$4 million, the installation of athletic turf fields, which is estimated at \$2 million, and repairs to the Golf Learning Center, which are estimated at \$2.5 million. Overall, the District has between \$24.5 - \$27.5 million in unfunded major capital projects.

Commissioner Bernstein would like to confirm that the Park District has \$33 million budgeted for capital projects over the next 5 years.

Director Peters reported that the Park District has \$33 million set aside for budgeted projects and staff has identified \$24.5 - \$27.5 million in unfunded major capital projects.

In developing a plan to fund these projects, Director Peters reported that the Park District needs to prioritize community needs, consider maintenance vs. improvement projects, and focus on Tier's 1 - 3 since these have been identified as critical repairs, and the District needs to consider its Revenue Policy examining mission-critical vs. revenue generation. Once projects are

determined, staff needs to develop funding concepts and update the 5-Year Capital Plan to include the 2022 budget.

B. Park Avenue Boating Facility

Director Peters reported that staff needs to consider the Park District's Mission and financial policies, adhere to the vision of the Park Avenue Working Group, and agree upon a breakwater and ramp replacement concept that provides long-term sustainability. Additionally, staff needs to develop a funding model that supports the Park Avenue Site Master Plan, is fiscally responsible, practical, and realistic. Some funding sources include user fees, donations, grants, and debt issuance supported by user fees.

Director Peters provided a brief update of the immediate unfunded projects at Park Avenue, which includes \$1.5 million to replace the breakwater and boat ramp, \$150,000 to repair the south parking pad, \$100,000 for improvements to the North Shore Yacht Club, and \$860,490 to repair the north parking lot, and the construction of an ADA boardwalk, totaling \$2.6 million. Some anticipated funding sources for these projects include a \$1 million debt issuance supported by user fees, \$200,000 from the Illinois Department of Natural Resource (IDNR) boat access grant, \$400,000 from the IDNR OSLAD grant, \$300,000 in private donations, and \$700,000 from the Park District's capital fund, totaling \$2.6 million.

As for user fees, staff developed a loyalty program, which is a 10-year license agreement for power boaters and personal watercraft users. The fee for power boaters is \$10,000 and \$5,000 for personal watercraft owners. The minimum target goal would be to secure 21 power boater license agreements and 3 personal watercraft license agreements. The 10-year license agreements must be purchased by January of 2022. Additionally, the North Shore Yacht Club would be required to pay the Park District \$20,000 per year for 10-years in addition to their annual license fee. \$10,000 would support the breakwater and boat ramp replacement project and \$10,000 would support building improvements. Furthermore, 10% of lakefront decal sales would support the park avenue funding model. Lastly, the Park District would need to sell 8 additional annual passes for power boaters, 3 additional annual passes for personal watercraft owners, 34 SUP storage passes, 12 small craft storage passes, increase daily launch fees, and apply a 10% launch improvement fee to the seasonal pass over the next 10 years.

As for the next steps, Director Peters reported that staff will be requesting approval of the lease agreement with the City of Highland Park at the August 10 Workshop Meeting. Staff will review the Park Avenue breakwater and boat ramp pre-engineering plans and Site Master Plan at the August 17 Lakefront Committee Meeting. Staff will review the Park Avenue funding concept and the Site Master Plan with the Park Avenue Working Group on August 18. Staff will be seeking consensus from the Finance Committee of the funding concept on August 19. Staff will be requesting approval of the final engineering for the breakwater and boat ramp replacement, and staff will be requesting approval of the IDNR grant application at the August 24 Regular Board meeting.

If all these items are approved, staff will need the loyalty club commitments in January of 2022 for the \$1 million debt issuance. Grant should be awarded in the spring of 2022, which is when the Park Avenue breakwater and boat ramp replacement bids will be released, with improvements beginning in the summer of 2022.

Vice President Grossberg would like to know what is included in the \$860,490 unfunded project at Park Avenue.

Executive Director Romes reported that \$860,490 is an opinion of cost from the Lakota Group to construct ADA pedestrian pathways from the north parking lot entrance to the south beach, an ADA boardwalk adjacent to the north parking lot, and beach, and two ADA accessible pathways to designated fishing areas. This specific portion of the project is a good candidate for the OSLAD grant.

Vice President Grossberg would like to know if it's reasonable to expect that the Park District will be awarded both grants.

Executive Director Romes reported that while staff feels they have strong applications, the chances of being awarded both grants are highly unlikely.

Commissioner Bernstein would like to know if the Park Avenue Site Master Plan is included in the District's budgeted costs.

Executive Director Romes reported that the total estimated costs are \$2.5 million, of which \$1.5 million is unfunded.

Commissioner Bernstein would like to know what is included with the anticipated costs for un/funded projects within the Park Avenue Site Master Plan.

Executive Director Romes reported that staff will have a presentation at a future Finance Committee Meeting to discuss the un/funded projects within the Park Avenue Site Master Plan.

Commissioner Bernstein would like to know how the loyalty program impacts the District's 5-Year Capital Plan.

Executive Director Romes reported that the loyalty program helps support the \$1 million debt issuance and the 10-year commitment for license agreements provides sustainability to support costs for ongoing maintenance of the site.

Commissioner Bernstein reported that he would like to know how the loyalty program helps pay back the debt issuance.

Executive Director Romes reported that the loyalty program includes the principal and interest payoff, however it's only one component to help pay off the debt issuance. Other components include user fees. Staff will share a 20-Year Projection Model at an upcoming Finance Committee Meeting.

Commissioner Bernstein would like to know when loyalty program commitments are required.

Executive Director Romes reported that staff will need the loyalty club commitments in January of 2022, before the debt issuance. However, if the Park District is going to submit grant applications, the Park Board will need to approve the final engineering for the breakwater and

boat ramp replacement at the August 24 Regular Board Meeting, without having financial commitments from users.

Commissioner Bernstein would like to know the cost for the final engineering for the breakwater and boat ramp.

Executive Director Romes stated that the final engineering for the breakwater and boat ramp replacement are estimated at \$25,000. Finalized costs will be presented at the August Lakefront and Finance Committee Meetings.

Commissioner Bernstein does not feel comfortable approving the final engineering for the breakwater and boat ramp replacement and the OSLAD and IDNR grant applications at the August 24 Regular Board Meeting without having financial commitments from the loyalty program. More concerning are the grant approvals, since the Park Board would be committing to funding a \$2.6 million project, without the financial support from loyalty users.

Executive Director Romes reported that the only risk is \$25,000 for final engineering, since the \$2.6 million is dependent upon the Park District being awarded grant funds.

Commissioner Bernstein would like to know if there are repercussions from IDNR if the Park Board of Commissioners decides not to move forward with the \$2.6 million project after being awarded grant funding.

Executive Director Romes reported that if a District is awarded grant funds and pulls out of the project, then that District is unable to submit grant applications for 2 years.

Commissioner Bernstein would like to know when those grants will be awarded.

Executive Director Romes reported staff should know by March 2022.

Public Comment

Jean Sogin

1092 Wade St. Highland Park

There is a lot of interest in the loyalty program, but boaters need more clarification. Such as, is the \$10,000 commitment a donation or a front-loaded payment. Please make sure it is a donation, so it can be a tax write off. Also, in addition to the loyalty program she is confident the boaters can help raise funds. Furthermore, after the August 24 Regular Board Meeting, the boating community will need to hit the ground running with fundraising and would like assistance from the Park District to develop a fund-raising campaign.

Commissioner Bernstein requested that staff further discuss the loyalty program and how to package it to the community at the Park Avenue Working Group Meeting on August 18.

Laura Knapp

700 College Place, Highland Park

She is thankful and enthusiastic about the plans for Park Avenue; however, she feels the Park Board does not share the same enthusiasm. She reported that the boating community needs the Park District to help support their fundraising efforts and requested a collaborative effort between parties. As for the Park Avenue Site Master Plan, she would like this plan to be vetted by the community so they can provide feedback and discuss phasing. While the PAWG's goal is to replace the breakwater and the boat ramp, she is not certain that this is the focus of the site repairs, so she suggested that another group review the Site Master Plan to ensure that the boat launch is a higher priority. As for the loyalty program, there are several boaters in the community, however many of them no longer use the site so she would like contact information from the people who were driven away when the water plant was established. Lastly, she would like to revisit and exclude improvements to the North Shore Yacht Club from the Park Avenue Site Master Plan since she opposed some of the suggestions recommended by the Lakota Group.

Commissioner Bernstein would like to know when the Park Board will receive a presentation from the Lakota Group regarding the Park Avenue Site Master Plan.

Executive Director Romes reported that there will be a presentation at the August Lakefront Committee Meeting and the Regular Board Meeting. As a reminder, the plan developed by Lakota Group was based on the previous master plan which included significant community input, including public and digital surveys along with the Attitude and Interest Survey, so the updated Park Avenue Site Master Plan was not to include public engagement. Lastly, the Parks Foundation is interested in working with the boating community to help develop a fund-raising campaign.

Jason Metnick

2374 Green Bay Rd. Highland Park

Didn't see modeling about future daily user fees. When I compare the proposed fees to neighbors, we have a competitive advantage. Lake Forest and Winnetka do not permit daily fees due to limited storage, whereas Park Avenue can draw from several communities. He recommends examining daily/user fees to see how that revenue can help support the Park Avenue Funding Model.

President Ruttenberg reported that one of the key elements is the Lakefront Master Plan for Park Avenue and examining the site as a whole is critical. He is concerned that the Park Board will not be able to meet the proposed approval deadlines due to the short-time line.

C. West Ridge Center

Director Peters reported that West Ridge Center is another unfunded project, so staff needs to consider the Park District's Mission and financial policies, look at long term sustainability, and consider a center that can support the District's gymnastics, arts, and athletic programs, general recreation, ParkSchool, and administrative offices. The funding model for a new West Ridge Center would eliminate the current \$3 million in maintenance expenses and supports the GreenPrint 2024 Master Plan. As for funding sources, the District is considering a \$15 million debt issuance supported by transfers from the recreation fund along with grants and donations.

D. Debt Issuance Analysis

Director Peters introduced Bob Lewis of PMA Securities, LLC to provide a brief presentation of the current financial market and how it impacts the Park District's debt issuance. Due to the pandemic, Mr. Lewis reported that interest rates on the municipal market have never been this low, so it is a great time for agencies to issue bonds over the next 3 months.

President Ruttenberg recommends issuing as much as possible since interest rates are at a historical low.

Mr. Lewis reported that tax-exempt agencies need to spend 85% of borrowed funds within 3 years of the debt issuance.

As for the Park District's credit rating, Mr. Lewis reported that the District has a Triple-A rating, which is the highest rating issued by Moody's.

As for financing mechanisms the Park District traditionally pays debt from operating funds in the form of debt certificates or alternate revenue bonds. While debt certificates have a higher interest rate, they do not require a hearing and petition period, so the Park District historically has issued debt certificates.

Currently, the Park District has two outstanding debt certificates issued in 2012 and 2013, which have 3% interest rates. Of those debt certificates, \$5.5 million is callable on December 15, 2021, which the Park District could close on the refunding bond within 90 days of that call date so that it may be tax-exempt for refinancing. The estimated savings would be about \$260,000. As for payments of those debt certificates, the Park District could continue paying \$1.5 million over the next 16 years which would leave money available in the remaining 4 years to be used to support unfunded capital projects or the District could pay \$1.5 million over the next 10 years, then reduce that amount to \$1 million for the remaining 10 years so that the District will have money available to support unfunded capital projects. It's ideal to refinance at the same time as the debt issuance since it reduces fees by \$20,000.

If the Park District would like to refinance, PMA Securities will provide a credit rating presentation on September 13, The District would receive their updated credit rating on September 20, the Park Board of Commissioners will need to adopt a parameters ordinance to refinance the 2012 and 2013 certificates and issue the new money portion on September 28, followed by the same on September 29 and closing on October 21. The old debt certificates and funds will be redeemable on December 15.

Commissioner Bernstein would like to know if \$1 million issued in the debt certificate for Park Avenue could be repurposed for other projects.

Mr. Lewis confirmed that the \$1 million could be repurposed for other projects.

President Ruttenberg and Commissioner Bernstein would like to know if the Park District borrows \$15 million, does the District pay off the \$1.5 million for the debt certificates.

Director Peters and Executive Director Romes reported that the general and recreation funds will be able to support the annual \$1.5 million transfer to pay off the debt certificates.

Director Peters shared an image of the amended 5-Year Capital Funding Model, which includes the \$1 million bond for Park Avenue plus the \$15 million in debt certificates. By doing this the Park District would have the \$21 million available for capital projects of which \$13 million could be used to fund a new West Ridge Center, \$1.5 million could replace the breakwater and boat ramp, and \$1 million could be set aside for renovations in the Park Avenue Site Plan. This allows the unfunded projects categorized under maintenance, Tiers 1-3 to be funded. Whereas the unfunded projects categorized under improvements, Tiers 4-5 would remain unfunded, which includes \$1.5 million in remaining renovations for the Park Avenue Site Plan, \$2 million for athletic fields, \$4 million for the Sunset Woods Park Master Plan, and \$2.5 million for the Golf Learning Center.

President Ruttenberg would like to see a list of all the District's capital projects and when those projects are commencing.

Commissioner Bernstein reported that one major facility which currently is not recognized in the 5-Year Capital Plan is Hidden Creek AquaPark. Furthermore, he is pleased that the amended 5-Year Capital Plan can support unfunded maintenance projects, however he would like staff to see if there are additional scenarios which would support all 5 Tiers of unfunded projects.

The Finance Committee recommends that this plan be presented to the Park Board of Commissioners.

Sunset Woods Park Bid Results

Manager Schwartz reported that the Sunset Woods Park Playground Renovation project was strategically split into five trades, concrete/masonry, general construction, landscaping, pour in place, and fencing, for significant cost savings. Additionally, staff are saving 10 – 20% by coordinating tree removal and transplanting, construction fence installation, boulder removal, purchases for site furniture, engineered wood fiber, and plant materials, plus an additional 24% mark-up from a sub-contractor. Overall, all the bids came in low, so staff are recommending that the Park Board of Commissioners approve the bids plus the alternates. The alternates include the plaza for children ages 2-5, the seating plaza/gathering space in between the playgrounds, a path extension, pour in place underneath the net climber, a concrete border around the 2-5 age playground, and an acorn climbing piece in the 2-5 age playground.

She provided an overview of the budget, reporting that the estimated costs as of May were \$1.26 million, whereas the actual costs were \$1.21 million. Additionally, the contingency costs for construction came in at 10%, which is a significant reduction from the estimated costs. The Park District has \$1.16 million earmarked in the capital fund for this project, however \$61,171 is due to contingency costs, which staff are hoping not to spend.

The Finance Committee reported that the renovations look great and requested that the bids be placed on the consent agenda for the July 27 Regular Board Meeting.

The Preserve of Highland Park Restroom Update

Director Voss reported that in March 2019, the Park District applied for the Recreational Trails Program (RTP) grant along with the OSLAD grant. The RTP grant would provide funds to construct a traffic circle, restrooms, and support signage. Unfortunately, staff are still waiting on approval from the federal level for grant funds and since the contractors need a decision, staff explored other alternatives for restrooms.

Manager Grill reported that staff are proposing to take advantage of the existing restroom in the maintenance shed to the right of the entrance. Like many other Lake County properties, the restrooms tend to be located at the entrance and the proposed alternative would cost \$42,300 instead of \$71,000,

President Ruttenberg prefers the alternate location for the restrooms and requested that staff utilize funds from the cost savings to include outdoor aesthetics.

Other Business

The next Finance Committee Meeting is Thursday, August 19 at 4:00 pm.

The meeting adjourned at 6:17 p.m.