

MINUTES OF A THE FINANCE COMMITTEE MEETING OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON OCTOBER 6, 2021, 4:01 PM. PURSUANT TO SECTION 7(e) OF THE OPEN MEETINGS ACT, THE PRESIDENT OF THE BOARD OF PARK COMMISSIONERS HAS MADE A FINDING THAT IT IS NOT PRACTICAL OR PRUDENT TO HOLD IN PERSON MEETINGS BECAUSE OF THE COVID-19 PUBLIC HEALTH EMERGENCY. NEITHER THE ELECTED OFFICIALS NOR THE PUBLIC WILL BE ALLOWED TO ATTEND REGULAR OR COMMITTEE MEETINGS IN PERSON BUT WILL PARTICIPATE VIRTUALLY. LINKS TO THE VIRTUAL MEETING CAN BE FOUND ON THE PARK DISTRICT WEBSITE <HTTPS://WWW.PDHP.ORG/PARK-BOARD/MEETINGS/>

Present: Commissioner Bernstein, Commissioner Freeman, President Ruttenberg

Also, Present: Executive Director Romes; Director Peters, Director Voss, Director Smith, Director Carr, Director Gogola, Director Dunn, Assistant Director Maliszewski, Assistant Director Murrin, Manager Johnson; Coordinator Hejnowski

Guest Speaker: Bob Lewis, PMA Securities, LLC Senior Vice President, Managing Director

5-Year Capital Plan Final Draft

Director Smith reminded the Finance Committee that the 5-Year Capital Plan prioritizes projects through tiers, and staff has added a new tier.

Tier 1: Safety/Legal Compliance

Any investment where the primary purpose is to correct a safety hazard or is pursuant to a legal contract, ordinance, or law.

Tier 2: Critical Repair/Replace Existing Items

A project fits this criterion if it is an existing asset that is in critical condition. An asset is defined as critical if it meets one or more of the following criteria: If not addressed in the proposed year it may pose a safety hazard; If not addressed and fails, it could lead to a larger expense and/or impact programming/recreation.

Tier 3: Scheduled Replacement

A project fits this criterion if it is an existing asset that is recommended for replacement and has reached its useful life.

Tier 4: Improve Existing Items

These projects improve built environment, park land, or equipment that staff recommend improvement, but the recommended improvement would have limited or no impact on status quo operations. These projects are proactive in nature and keep the District looking fresh, up to date, or benefit existing recreation offerings.

Tier 5: New

Projects that are adding capacity/programming or altering current conditions. Not completing these projects would have no impact on the District status quo.

Tier 6: Unfunded

Identified projects that do not have confirmed funding. May require alternative funding strategies.

Director Smith provided a brief summary of the recent changes to projects in the final draft of the 5-Year Capital Plan. Additionally, staff will be seeking approval of the 5-Year Capital Plan from the Park Board of Commissioners at the October 26 Regular Board Meeting so that it can be incorporated into the 2022 budget.

A. Danny Cunniff Park

Staff adjusted planning for artificial turf fields to begin in 2023 and added the installation of pickleball sound reduction screens for 2022.

B. Millard Park

Staff adjusted the bluff restoration expenses.

C. Centennial Ice Area

Staff Increased the costs to replace the Zamboni.

D. Heller Nature Center

Staff moved the front sidewalk replacement project from 2023 to 2022.

Director Smith shared the updates costs of the plan summary by tier.

Tier 1-3 Projects

In the 2021 approved budget, there is \$5.5 million reserved for tier 1-3 projects. Staff are projecting to spend a little over \$4 million from the 2021 capital budget. There is \$11.1 million budgeted for 2022, \$13.7 million budgeted for 2023, \$9.2 million budgeted for 2024, \$3.1 million budgeted for 2025, and a little over \$2 million for 2026, for a total of \$39.3 million in tier 1-3 capital projects.

Tier 4-5 Projects

In the 2021 approved budget, there is \$228,900 reserved for tier 4-5 projects. Staff are projecting to spend \$138,753 from the 2021 capital budget. There is \$403,973 budgeted for 2022, \$1.1 million budgeted for 2023, \$755,000 budgeted for 2024, \$1.8 million budgeted for 2025, and \$280,000 for 2026, for a total of \$4.3 million in tier 4-5 capital projects.

Tier 1-5 Projects

In the 2021 approved budget, there is \$5.7 million reserved for tier 1-5 projects. Staff are projecting to spend \$4.2 million from the 2021 capital budget. There is \$11.5 million budgeted for 2022, \$14.8 million budgeted for 2023, a little over \$10 million budgeted for 2024, \$4.9 million budgeted for 2025, and \$2.3 million for 2026, for a total of \$43.7 million in tier 1-5 capital projects.

Tier 6 Unfunded Projects

Currently, there are \$18.7 million of unfunded capital projects in the 5-Year Capital Plan. The total budget with unfunded projects is \$62.4 million.

Commissioner Bernstein requested that staff develop a community campaign listing the projects which will be completed in 2022. This is due to several questions and complaints he has received about the pathway repairs and bluff restorations at Moraine Park. The community is unaware that the repairs and restorations have been approved and should be completed next year. He would like to know if staff has a list of dog park pass holders for messaging.

Executive Director Romes and Director Smith will provide a project update to dog park pass holders.

Market Update, Refunding Opportunity, New Money Analysis and 10-Year Funding Model

Director Peters introduced Bob Lewis, Senior Vice President and Managing Director with PMA Securities LLC. Mr. Lewis reported that there has been a recent spike in the tax-exempt interest rates, however when compared to the historical trends the rates are still low, so now is a good time for organizations to refinance. Mr. Lewis reported that the Park District has two financing mechanisms available.

1. *Debt Paid from Operating Funds and/or Rollover Bonds*

Mr. Lewis reported that debt from the 2012 and 2013 debt certificates could be paid through the Park District operating funds and/or rolled over into bonds. If rolled over a petition period or hearing is not required, and the bonds would have a maximum 20-year final maturity with a .05% rate since the Park District has a Triple-A rating.

2. *Issue Bonds from a Separate Property Tax*

Mr. Lewis reported that the Park District could issue General Obligation Referendum Park Bonds or General Obligation Non-Referendum Park Bonds from 2017 and 2020. If the Park District were to issue General Obligation Non-Referendum Park Bonds staff are required to conduct a Bond Issue Notification Act (BINA) Hearing. The Bonds would have up to 25-year final maturity.

Debt Certificates

Mr. Lewis reported that the original purpose of the 2012 and 2013 certificates was to refund in advance of maturity prior certificates, dated June 1, 2004, and February 15, 2005, in a prudent manner to realize debt service savings and to fund capital projects. The 2012 and 2013 Certificates were in the amounts of \$6,770,000 and \$8,755,000, respectively. The average interest rate on the remaining principal is 3% and 2.75%. \$5,465,000 are callable on December 15, 2021, and a tax-exempt refunding can occur within 90 days of the call date. The estimated present value of the call option is \$250,000. This allows the payment stream to change to better accommodate the Park District's budget. The refunding debt certificates can be amortized differently to create payment flexibility and issue additional debt, specifically the proposed \$17 million. When examining the financial details, Mr. Lewis reported that the Park District's net payment from operations will not change from the current amount of \$1.5 million, however, the existing debt will be extended until 2030. Furthermore, in 2030, a debt certificate with a \$590,000 annual debt service payment for 20 years, would maintain the current net annual payment, while providing approximately \$9.1 million (based on an average rate of 2.5%) to the Park District. In addition, the General Obligation Bond financing plan includes a \$5 to \$6 million General Obligation Bond in 2024, \$6 million in 2028, and then, depending upon EAV growth and interest rates, an estimated \$5 million in 2031, and approximately an additional \$5 million every three to four years thereafter.

President Ruttenberg reminded the Finance Committee that under this issuance the Park District will be obligated to pay back the \$2 million, which should be funded by Park Avenue Users.

Commissioner Bernstein reported that the District will need to remove \$118,000 on an annual basis from the Capital Fund to pay back the \$2 million owed from Park Avenue Users, so while he understands the Park District is assuming the risk he is pleased to hear that the net payment owed yearly from operations does not change from the current amount of \$1.5 million.

Mr. Lewis reminded the Finance Committee that in 2030, a debt certificate with a \$590,000 annual debt service payment for 20 years, would maintain the current net annual payment while providing approximately \$9.1 million (based on an average rate of 2.5%) to the Park District.

Commissioner Bernstein would like to know if the Park District would reissue \$9.1 million in 2030 and \$15 million in 2040.

Mr. Lewis reported that \$9.1 million could be reissued in 2030 and \$15 could be reissued in 2040.

Executive Director Romes reiterated Commissioner Bernstein indicating that if Park Avenue Operations fails to generate \$118,000 annually, then the Park District will absorb those costs, which will have little impact on operations.

Commissioner Bernstein requested that at the October 21 Finance Committee Meeting staff clearly explain what the effects would be to the 5-Year Capital Plan and the Park District's ability to re-issue the debt certificates if Park Avenue Users fail to fund \$118,000 annually.

Mr. Lewis reported that if Park Avenue Users do not pay \$118,000 annually the only impact is on annual capital expenditures, it does not affect the Park District's ability to refinance the debt certificates in 10 years.

Commissioner Bernstein would like to know if the Park District could be in a situation where we will have to increase taxes to meet the tax levy.

Mr. Lewis reported that the Park District will have the ability to reprioritize funds to prevent increasing taxes.

Draft of the 10-Year Funding Model

Director Peters shared an image of the updated 10-Year Funding Model, which assumes the Park District will issue \$15 million in debt certificates which are to be funded through operations, plus a \$2 million revenue bond which will be funded by Park Avenue operations. Additionally, the Park District will issue \$5.5 million in general obligation bonds in 2024 and \$6 million in 2028. Overall, this model provides funding for tier 1-5 capital projects until 2030. As of January 1, 2031, this model assumes the Park District will have \$3.3 million in the capital fund. As a reminder, the figures as of 2026 are estimates, since the Park District follows a 5-Year funding model.

As of December 31, 2020, the District had \$11.4 million in the capital fund, however, since staff has identified \$43.7 million in tier 1 -5 capital projects, the Park District plans on issuing a \$2 million revenue bond and \$15 million in debt certificates. Afterward, the Park District will transfer \$2 million from the recreation fund, \$1 million from the general fund, and \$500,000 from the special recreation fund to the capital fund in 2021. There will be \$27.6 million available in the capital fund as of December 31, 2021.

By 2022, staff will transfer \$2 million from the recreation fund, \$1.5 million from the general fund, and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting for \$11.5 million in capital expenses for tier 1-5 projects, which would leave \$20.1 million in the capital fund as of December 31, 2022.

By 2023, staff will transfer \$2 million from the recreation fund and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting for \$14.8 million in capital expenses, which would leave \$7.7 million in the capital fund as of December 31, 2023.

By 2024, the District will issue \$5.5 million in general obligation bonds. Afterward, the Park District will transfer \$2 million from the recreation fund and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting for a little over \$10 million in capital expenses, which would leave \$5.7 million in the capital fund as of December 31, 2024.

For 2025, staff will transfer \$2 million from the recreation fund and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting \$4.9 million in capital expenses, which would leave \$3.2 million in the capital fund as of December 31, 2025.

Looking ahead into 2028, the District will issue another \$6 million in general obligation bonds. Afterward, the Park District will transfer \$2 million from the recreation fund and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting for \$4 million in capital expenses, which would leave \$6.3 million in the capital fund as of December 31, 2028.

By 2029, staff will transfer \$2 million from the recreation fund and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting \$4 million in capital expenses, which would leave \$4.8 million in the capital fund as of December 31, 2029.

Lastly, looking into 2030, staff will transfer \$2 million from the recreation fund and \$500,000 from the special recreation fund to the capital fund. Staff are budgeting \$4 million in capital expenses, which would leave \$3.3 million in the capital fund as of December 31, 2030.

In the case that the Park District does not receive \$118,000 annually from Park Avenue Operations, The Park District would reduce the annual \$2 million transfer from the recreation fund to \$1.8 million to the capital fund. Regardless, the District will still have revenue left in the capital fund as of 2030.

Commissioner Bernstein would like to know if the Park District has a fund balance policy for the capital fund.

Mr. Lewis reported that none of the park districts he works with have a fund balance policy for the capital fund.

Commissioner Bernstein would like staff to explore this, to see if the Park District should have a minimum reserve in the capital fund.

Commissioner Freeman requested that staff update the 10-Year Funding Model so that it includes figures through December 31, 2031.

President Ruttenberg does not think the Park District should spend \$2 million on repairs at Park Avenue if the community fails to pay the District \$118,000 annually.

Executive Director Romes reported that the greatest takeaway from tonight's discussion is that the Park District has the ability to maintain tier 1-5 projects while also having the ability to construct through 2030 without having to increase the \$1.5 million net payment owed annually from operations.

5-Year Funding Model Tiers 1-6

As of December 31, 2020, the District had \$11.4 million in the capital fund, however, even with the \$15 million debt issuance and \$2 million revenue bond, the Park District will not be able to fund \$62.4 million of tier 1-6 projects. As of December 31, 2024, there will be \$236,746 available in the capital fund, so the \$5.5 million bond issuance will not be able to replenish this fund. As of 2026, the Park District will have \$15.3 million in unfunded capital projects. As a result, the Park District will need to pursue grants and other forms of alternative revenue to support tier 6 capital projects.

President Ruttenberg would like to know if there are tier 6 projects that should be prioritized higher.

Executive Director Romes reported that things will change from year to year, however, none of tier 6 projects identified in the 2022 budget should be prioritized higher. Keep in mind staff are always looking to see if unfunded projects are good candidates for grants.

Draft Timeline of Key Events

Director Peters and Mr. Lewis reported that staff will deliver the credit rating presentation to Moody's on October 18, the Park District will obtain its credit rating on October 22, Staff will request that the Park Board of Commissioners adopt the Parameters Ordinance at the October 26 Regular Board Meeting, the sales of the bonds will occur on October 27, and the old bonds will be closed on December 15.

Commissioner Bernstein requested the terms of the debt issuance.

Mr. Lewis reported it is a 20-year term.

Commissioner Bernstein would like to know if the terms have changed from previous years. i

Mr. Lewis reported in previous years it was a 15-year term.

Commissioner Bernstein would like to know if it is normal and customary for park districts to issue 20-year terms.

Mr. Lewis reported that some park districts opt for 25-year terms.

Commissioner Bernstein would like to know the cost of the issuance.

Mr. Lewis reported it costs less than 1%, however, he could get the specific costs and follow-up. Overall, the plan is still competitive and awarded to the underwriter with the lowest interest costs.

Commissioner Bernstein would like to know if the cost to the District is normal and customary.

Mr. Lewis reported that the District is economizing on the cost of issuance by doing one sale instead of two.

Commissioner Bernstein feels it is important that this is messaged to the community, so he requested that staff develop a campaign noting the positive impacts from the debt issuance and refinance and how it has no effect on the taxpayers.

Executive Director Romes reported that staff will put together a campaign and present at an upcoming Regular Board Meeting.

Other Business

Executive Director Romes reported that the next Finance Committee Meeting is Thursday, October 21 at 4:00 p.m.

Adjournment

The meeting adjourned at 5:02 p.m.