

MINUTES OF A THE FINANCE COMMITTEE MEETING OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON NOVEMBER 18, 2021, 4:00 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 Speakers: None

Approval of the Finance Committee Meeting Minutes from October 21, 2021

The minutes from the October 21, 2021, Finance Committee Meeting were approved.

2022 Budget Presentation

Budget Calendar

Director Peters reviewed the budget calendar reporting that tonight’s Finance Committee Meeting is a high-level review of the 2022 Budget, the December 8 Workshop Meeting is a more detailed review of the 2022 Budget Book, the final propose Budget Book for 2022 will be presented at the December 16 Regular Board Meeting, after 30 days a Public Hearing will be held on January 25, 2022, regarding the 2022 Combined Budget and Appropriation and staff will ask that the Park Board of Commissioners approve the 2022 Budget Ordinance.

Budget Highlights & Assumptions

Director Peters reported that the 2022 budget assumes that the state will be in Phase 5 or the new normal throughout the entire year. Staff used 2020 budget for comparisons since the 2021 Budget was built around Phase 4 operations. When examining revenues for the 2022 Budget it includes property taxes which are based on the CPI plus new growth, assumes reduced interest income rates of .2% for a million-dollar one year certificate of deposit which equates to around \$2,000 of interest income for the year, assumes recreation program revenue approximately 2% more than 2020 budget, excludes impact fees, and assumes Debt Certificates will need to be amended by December 1. When examining expenses for the 2022 Budget it includes the employee merit pool raises at 3%, which are consistent with the 2020 Budget, increases to minimum wages, Strategic Planning costs, a 19% reduction in pension contributions to the Illinois Mutual Retirement Fund (IMRF) due to the District’s well-funded pension balance, costs from services provided by the Non-Profit Coach to help raise donations for unfunded or under-funded projects, and costs for a Compensation/Salary Survey.

Truth in Taxation Resolution

Director Peters provided a brief report of the factors used to determine the truth in taxation calculation. Last year the General Fund had a \$5.7 million extension. The levy request for 2022 is \$5.8 million, which

is a \$140,943 increase (or a 2.4% increase). As a reminder, this percentage is made up of CPI, which is 1.4% and roughly another 1% of new growth. The Recreation Fund had a \$5.4 million extension last year. The levy request for 2022 is a \$5.5 million levy, which is an increase of \$133,256 (or a 2.4% increase). The Special Recreation Fund had a \$590,013 extension last year since there was a flat tax levy. Since the new building for NSSRA was not constructed in 2021, the \$300,000 staff budgeted for that facility was not used, so the District was able to approve a flat tax levy in 2021. As a result, the Special Recreation Fund was able to reduce its EAV from .04% to .02%. In 2022, staff requested a full levy (.04%) of \$990,000, which is a \$399,987 increase (or a 6.7% increase). In total, last year's extension was \$11.7 million, in 2022 the levy request is \$12.3 million, which is an increase of \$674,186 (or a 5.7% increase). Since the increase is over 5% the Park District will need to conduct a Truth in Taxation Hearing at the Regular Board Meeting on December 16. After the Truth in Taxation Hearing, staff will request that the Park Board of Commissioners approve the supporting ordinance.

President Ruttenberg reported that these figures have been reviewed extensively with the Park Board of Commissioners, however, he would like to know the impact on an individual homeowner.

Director Peters reported that the worst-case scenario is an increase of \$67.00 to a homeowner.

President Ruttenberg would like to know what minimum wage has increased to.

Director Peters reported that minimum wage is \$12 per hour.

President Ruttenberg would like to know if the Park District surpassed that number this past summer to fill seasonal positions.

Director Peters reported that some seasonal positions surpassed \$12 per hour.

Commissioner Bernstein requested that staff clearly messages to the community the reason for the Truth in Taxation Hearing.

Supplemental Tax Ordinance

Director Peters reported that Ordinance 2021-06, is an ordinance authorizing a supplemental property tax levy to pay the principal of and interest on the outstanding General Obligation Limited Tax Park Bonds, Series 2020, of the Park District of Highland Park, Lake County, Illinois.

District Wide Budget Comparison (No Bonds, No Capital, No Transfers)

Director Peters reported that the 2020 Budget had \$24.2 million in revenue whereas the 2022 Budget has \$24.5 million in revenue. This is a \$237,552 increase (or a .98% increase). In 2020 the Park District budgeted \$22.6 million in expenses, whereas the 2022 Budget has \$22.5 million in expenses. This is a \$96,542 decrease (or a .43% decrease). Overall, the Park District has a \$334,093 surplus (or 20.6%) from 2020.

Revenues

- A. Lessons** - Budgeted \$374,986 in 2022. This year staff budgeted \$345,712; however, staff are pleased to report that revenue from lessons is far exceeding the budgeted amount. As a result, staff has \$471,319 in the 2022 Budget, which is a \$96,334 increase (or a 2% increase).

- B. Taxes** – This figure has remained consistent around \$13 million, however there is a \$283,846 increase for the 2022 Budget.
- C. Fees and Charges** – This figure has remained consistent around \$1.8 million, however since golf generated a \$1 million surplus this year, staff are increasing the 2022 Budget by \$556,307 (or a 29.7% increase).
- D. Memberships** – Staff budgeted \$1.6 million in 2020. However, since indoor facilities took a significant hit this year due to the pandemic, staff are projecting to generate \$566,865 come December 31. As a result, staff restructured our memberships and are budgeting a \$404,921 decrease in revenue from 2020 to 2022.
- E. Interest Income** – Staff budgeted \$171,596 in 2020 and \$15,000 in 2021. Since staff are projecting to generate \$9,500 as a December 31, staff are budgeting \$6,000 in 2022, a decrease of \$164,000 (or a 96% decrease).

Expenses

- A. Memberships** – This is a new line item. Staff are budgeting \$157, 219 in 2022 expenses.
- B. Salary and Wages** – Staff budgeted \$8.1 million in 2020. Due to the 3% employee merit increase staff are budgeting \$8.3 million, which is a \$208,355 increase (or 2.5% increase).
- C. Pension Contributions** – Staff budgeted \$891,036 in 2020. Staff reduced our contributions by nearly \$100,000 this year, and staff are projecting to still come in under budget by December 31. As a result, staff are budgeting a 19% reduction in 2022 budget. This is driven largely by the reduced IMRF obligation.

President Ruttenberg would like to know if the 2022 budget assumes the Park District is filling all vacant positions.

Director Peters reported that the 2022 Budget assumes all vacant positions will be filled.

Commissioner Bernstein would like to know why staff are budgeting a 14% decrease for Materials and Supplies in 2022.

Director Peters reported that staff has been frugal reusing previous supplies and have been more conscious of spending. Additionally, staff has seen significant savings in materials and supplies by purchasing through Amazon Business Prime.

Commissioner Bernstein would like to know why there is a significant reduction in special event expenses.

Director Peters reported that revenues are back to pre-covid times, however since staff are offering small-scale events expenses are reduced. b

Commissioner Bernstein would like to know if any other cost centers attributed to the surplus of revenue for fees and charges.

Director Peters reported that the surplus in revenue from fees and charges is strictly from Sunset Valley Golf Club and the Golf Learning Center.

Functions

Director Peters reported that the District has three functions, Administrative, Recreation, and Parks. The administrative function is responsible for the District short and long-term planning, executive and administrative district-wide operations financial management, human resources administration and risk management, information technology systems, and marketing/communications activity.

Administrative Functions: Revenues

- A. *Miscellaneous Income*** – From 2020 to 2022 there is a \$539,329 increase. This is set up for the additional funding needed to support the breakwater and boat ramp repair.
- B. *Other Income*** – The District does not typically budget for this; however, staff are budgeting \$40,000 from the Albion Project.

Administrative Functions: Expenses

- A. *Contractual Services*** – Staff budgeted \$1.5 million in 2020, however due to the costs for the Compensation/Salary Survey, Non-Profit Coach, and professional fees for West Ridge Park, the 2022 Budget significantly increased to \$3 million.
- B. *Capital Outlay*** – Staff budgeted \$7.6 million in 2020, however due to several large-scale projects in the 5-Year Capital Plan, staff are budgeted \$10.6 million in 2022.

Commissioner Bernstein would like to know if the higher inflation rates were factored into the 2022 Budget.

Executive Director Rome reported that while inflation rates vary from area to area, it's around a 4% increase in the 2022 Budget figures. Additionally, the budget appropriation accounts for any unanticipated costs that exceed these figures by 10%.

Parks Function: Revenues

- A. *Fees and Charges*** – 2022 Budget decreased by \$9,000.

Parks Function: Expenses

- A. *Salaries and Wages*** – The bulk of the vacant positions are in Parks, so expenses for salaries and wages will increase by \$175,078 or 12% in the 2022 Budget.
- B. *Contractual Services*** – In 2020 staff budgeted \$1.5 million, however staff are budgeting \$1.6 million in 2022 due to costs of preventative methods to save oak trees from insect invasion.

President Ruttenberg would like to know if contractual services could be completed in-house.

Director Voss reported that most of the costs for contractual services are to maintain our natural areas. It is less costly to hire seasonal contractual services rather than adding staff, trucks, and trailers year-round.

Recreation Function: Revenues

Overall staff has increased programming, camps, special events, and memberships fees at the Recreation Center of Highland Park in the 2022 Budget. Additionally, staff are stabilizing Sunset Valley Golf Club and the Golf Learning Center with reductions in overall participation.

A. Taxes – Less than 3% increase in the 2022 Budget.

Recreation Function: Expenses

A. Pension Contributions – Decreased by 17% in the 2022 Budget.

Overall, staff budgeted a \$2 million surplus, and staff are projecting a \$4.1 million surplus. In 2022, staff are projecting a \$3 million surplus before transfers, which is a \$340,000 increase over 2020 (or a 12% increase).

President Ruttenberg would like to know what contributed to the surplus in merchandising revenue.

Director Peters reported that the surplus is thanks to merchandise sales at the pro-shop at SVGC.

President Ruttenberg would like to know if there are other opportunities for merchandise sales.

Director Gogola reported that staff are trying to find a vendor so that the District can launch an online store on the new website.

Commissioner Bernstein would like to know if the \$3.1 million surplus before transfers is that close to the historical norm.

Director Peters reported that the District historically has a \$3 million surplus before transfers.

District Wide Budget Transfers

Director Peters showed a graph comparing 2020 with 2022. Historically, the District pays \$1.5 million for debt certificates of which 40% is transferred from the General Fund to the Debt Service Fund. For the 2022 Budget staff will transfer \$622,394 from the General Fund to the Debt Service Fund, \$1 million from the General Fund to the Capital Fund, a little over \$1 million from the Recreation Fund, which includes an additional \$118,750 from Park Avenue to the Debt Service Fund, \$2 million from the Recreation Fund to the Capital Fund, and \$500,000 from the Special Recreation Fund to the Capital Fund. Overall, transfers will increase by \$450,000 (or 14% increase).

Commissioner Bernstein requested that future reports have a separate silo and graph for revenue and expenses from Park Avenue.

Director Peters reported that staff has a draft model which we can share at the next Finance Committee Meeting for Park Avenue so the Committee can see that revenues and expenses will be separately tracked.

District Wide Budget Comparison (No Bonds, No Capital, No Transfers)

Director Peters reported that when comparing the Budgets from the last three years, Director Peters reported that the Park District had a \$1.4 million deficit as of December 31 in 2020. Staff budgeted for a \$1.3 million deficit for this year, however, staff are projecting a \$1 million surplus. As for 2022, staff are budgeting a \$1.5 million deficit after transfers, which is an 8% increase from 2020. Before transfers, the District had a \$1.6 million surplus in 2020, are projecting a \$3 million surplus this year, and are budgeting a \$1.9 million surplus in 2022.

Proposed 2022 Budget by Fund

Director Peters reported that the General Fund is budgeted to have a \$1.7 million deficit, the Recreation Fund will have a \$3.1 million surplus before transfers, and a \$69,605 surplus after transfers and the Special Recreation Fund will have a \$517,482 surplus before transfers and a \$17,482 surplus after transfers. Lastly, a combined \$3.5 million will be transferred from all three funds to the Capital Fund.

2021 Transfer Considerations

Director Peters shifted from the 2022 Budget and reported that the District budgeted \$300,000 to transfer from the Special Recreation Fund and \$1.5 Million from the Recreation Fund to the Capital Fund. Instead, staff are recommending a transfer of \$520,000 from the Special Recreation Fund and \$2 million from the Recreation Fund to the Capital Fund for an overall net increase of \$720,000 to the Capital Fund. The Budget will not need to be amended; however, a Resolution will need to be approved in February of 2022.

Fund Balance History and Projections

Director Peters reported that the fund balance in the General Fund tends to fluctuate from year to year, however, there was a significant transfer in 2020 due to the pandemic. Come December 31, 2021, the District will have a 92% reserve, however, that number will decrease to pre-covid years as of December 31, 2022, with a 57% reserve. The Recreation Fund will have a 55% reserve in 2020, there will be a 57% reserve as of December 31, 2021, and staff are budgeting a 56% reserve as of December 31, 2022. The Special Recreation Fund had a 231% reserve in 2020 so the Park District was able to pass a flat tax levy. As of December 31, 2021, the Special recreation Fund will have an 18% reserve, and staff are budgeting a 36% reserve as of December 31, 2022. Overall, all of our funds are healthy and available to support the recommended transfers for the end of this year and the 2022 Budget.

Commissioner Bernstein would like to know why the reserve for the Recreation Fund increased from 41% to 56%.

Director Peters reported that the Park District was transferring \$2.5million from the Recreation Fund to the Capital Fund in pre-covid years so the reserve was less.

Commissioner Bernstein would like to know if the transfers need to be spent in a certain amount of time.

Director Peters reported that the transfers need to be spent in 3 years.

Commissioner Bernstein would like to know if staff can transfer more to the Capital Fund that staff are recommending.

Director Peters reported that staff can transfer more than recommended, however, the District still has \$2 million left from the bonds issued a year and a half ago, which needs to be spent first.

Recreation Function by Center

- A. *West Ridge Center*** - Expenses dropped significantly from 2020 for a 43% improvement in the 2022 Budget.
- B. *Rosewood Beach*** - Costs for lifeguards significantly increased from 2020 – 2022. As a reminder, minimum wage has increased by a dollar per year during this time, and additional staff has been needed for outdoor recreation. Overall, expenses increased 94% from 2020, resulting in a deficit of \$29,322 in 2022.
- C. *Park Avenue*** - Budgeting 156% increase in revenue and 117% increase in expenses to pay off the debt certificates.
- D. *Recreation Center of Highland Park*** – Revenues from memberships are \$500,000 less than pre-covid years. As a result, staff changed operations and our membership structure in hopes of increasing revenue in the future years.
- E. *Indoor Tennis*** - 2021 was an exceptional year, so staff are budgeting a \$65,000 surplus in 2022.
- F. *Golf Learning Center*** – Due to extended hours over the weekends, revenues have increased by \$70,000 from 2020.

Commissioner Bernstein requested a presentation of the Golf Learning Center at the future meeting since revenue has significantly increased.

Park Avenue Boating Facility Temporary Concrete Ramp Repair

Director Smith reported that he is here this evening to follow up on a presentation that was provided at the November 4 Lakefront Committee Meeting, where staff shared the drawings and proposal from WJE for the temporary repair of the concrete boat ramp. WJE suggests that the probable construction costs would be \$35,000. As a result, staff reached out to a contractor that the District has worked with on many projects, who is also very familiar with the ramp, and they confirmed the costs would be a minimum of \$35,000. Since the cost surpassed \$25,000 the project would need to be bid out, preventing it from being completed this year. Staff would like to release the bid in January of 2022. At which time staff will have a clear understanding of cost and would be able to look at the project from a cost-benefit analysis. If the Park Board of Commissioners approves construction, it would begin in the early Spring so that the temporary ramp would be available for use as of Memorial Day weekend. Overall, staff would like a consensus from the Finance Committee to move forward with the bid to get a clear understanding of the total project cost. Staff are not seeking approval of construction at this time. If the board provides consensus will provide a recommendation in February after receiving the bid results.

Commissioner Bernstein would like to know if the \$35,000 expense for the temporary boat ramp repair was baked into the 2022 budget expenses at Park Avenue.

Executive Director Romes reported that the expenses of \$260,000 for Park Avenue does not include the \$35,000 for the temporary boat ramp repair. Instead, the temporary boat ramp repair would be covered by Capital Funds.

President Ruttenberg would like to know if capital expenses are included in the expenses for the Recreation Fund by Center.

Executive Director Romes reported that capital expenses are not baked into the expenses for the Recreation Center by Fund. Furthermore, since the temporary boat ramp repair costs more than \$25,000 the repairs would fall under a capital expense.

Commissioner Freeman reported that the Recreation Fund by Center includes operational costs and expenses, not capital expenses.

Commissioner Bernstein would like to know the definition of a capital expense.

Director Peters reported that if a project exceeds \$10,000 and has more than a 1-year lifespan falls under capital expenses.

Executive Director Romes reported that the temporary repair for the boat ramp can be funded by operations instead of capital.

Commissioner Bernstein feels temporary repairs such as this, should not fall under capital projects and be funded by capital.

Executive Director Romes reported that staff can code the temporary boat ramp repair to operations and update the expenses for Park Avenue to include those repairs.

Commissioner Bernstein would like to know if the surplus of revenue for Park Avenue will only occur if the temporary boat ramp repair is funded by capital.

Executive Director Romes reported that staff will update that Center so that the costs for the temporary boat ramp repair are included in the Cost Center. Staff will provide a recommendation in February of 2022 after the bids are received.

Other Business

President Ruttenberg would like to know when the Park Board of Commissioners will receive recordings/links from the architect interviews for West Ridge.

Executive Director Romes reported that the Park Board of Commissioners will receive private links this evening, along with PDFs of the presentations. Staff will be meeting on Monday, November 22 to rank the firms.

Adjournment

The meeting adjourned at 5:46 p.m.