MINUTES OF A FINANCE COMMITTEE MEETING OF THE BOARD OF PARK COMMISSIONERS OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON THURSDAY, NOVEMBER 5, 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 Voss; Director Carr; Director Smith; Assistant Director Maliszewski, Manager Ochs, Manager Warsaw; Accountant Rosen; Accounts Payable Lakoske; Executive Coordinator Hejnowski
Guest Speaker:	None

<u>Public Comment for Items on the Agenda</u>
None.

October 8, 2020, and October 27, 2020, Finance Committee Meeting minutes were approved.

<u>Updated Financial Forecasts</u>

Special Disclaimer from Public Financial Management (PFM)

Director Peters shared the District's special disclaimer, reporting that the research and any forecasts are based on current information as of October 31, 2020, as is considered to be reliable, but the District does not represent it is accurate or complete, and it should not be relied on as such. The information, opinions, estimates, and forecasts contained herein are also as of the date hereof and are subject to change without prior notification.

Projected Cash Flow/Operations (Operations General and Recreation Fund)

Director Peters presented the District's chart of operations which examines the General and Recreation Funds comparing the budgeted cash on hand vs. the projected cash on hand at the end of each month.

She reported that the District budgeted to have $11.9 million in cash on hand as of December 31, 2020. As of today, staff are projecting to have $10.9 million in cash on hand as of December 31, 2020, even with the impacts of COVID-19. Additionally, the District will remain in compliance with our board policy, maintaining a 25% reserve in the general and recreation funds, and she projects the District will have $4.6 million as a reserve in both funds.

Budget vs. Actual vs. Projected (Operations General and Recreation Fund)

The next item reviewed was the 2020 Budget Comparison report of the General and Recreation Funds. This report provided a comparison of the 2020 budget approved in December of 2019 vs. the actual figures as of today, plus the projections for the end of the year.

Director Peters reported that the District budgeted $21.7 million in revenue and budgeted to spend $18.6 million, which provides a $3 million surplus for the end of the year. Due to the pandemic and its financial impacts, staff are projecting $15.5 million for the year-end revenue and to spend $13.6 million, which provides a $1.8 million surplus for the end of the year based on the actual revenue and expenses generated as of October 31, 2020. She reported that the overall reduction between our original budget vs. the projections is a $1.2 million deficit. As of October 31, the Park District has generated a little over $15.5 million in actual revenue vs. the $14 million projected, which provides a $1.5 million surplus. As for expenses, the Park District has spent $10.6 million as of October 31 vs. the $11.2 million projected, which is a $577,000 negative variance. The year-to-date net difference, which compares the actual vs. projections is a $2 million surplus.

Additionally, Director Peters is pleased to report that the Park District currently has $15.6 million in revenue vs. the $15.5 million projected for December 31, 2020, so the Park District has surpassed the revenue projected for the year.

Commissioner Bernstein would like to know why there is an increase in actual revenue vs. projected revenue.

Director Peters reported that the projections were based on a worst-case scenario, and staff have been able to provide more programs and services than originally projected. Regarding expenses, Director Peters reported that there have been significant reductions in payroll and staff are being extremely cautious with spending.

Additionally, Executive Director Romes reported that staff projected 50% participation for most programs, whereas golf and tennis are far exceeding those projections, so this is another reason why actual revenue is higher than projected revenue.

President Ruttenberg would like to know if staff has a graph analyzing monthly income vs. expenses rather than cumulative income vs. expenses.

Director Peters reported that she will provide a bar graph of the monthly revenue and expense at the next finance committee meeting.

Budget vs. Actual vs. Projected No Taxes/transfers (Recreation Fund)

The next item reviewed was the 2020 Budget Comparison report of the Recreation Fund. This report provided a comparison of the 2020 budget approved in December of 2019 vs. the actual figures as of today, plus the projections for the end of the year without the support from property taxes and transfers from the general fund.

Director Peters reported that the District budgeted $10.5 million in revenue and budgeted to spend $12.9 million, which is a $2.4 million operating deficit for the end of the year. Due to the pandemic, staff are projecting $5 million for the year-end revenue and to spend $8.8 million, which projects a $3.7 million deficit. She reported that there is a $1.3 million difference between the budgeted deficit vs. the projected deficit. As of October 31, 2020, the District has generated $5.6 million in actual revenue vs. our projections of $4.5 million, which is a $1.1 million surplus in revenue.

Commissioner Bernstein would like to know why there is an increase in actual revenue over projected revenue.

Director Peters reported that she would agree with Executive Director Romes that programming participation is much higher than projected.

Monthly Payroll Budget vs. Actual vs. Projection
Director Peters reported that the District budgeted around $10 million in payroll expenses. However, by furloughing staff, reducing employee hours, and implementing a hiring/merit freeze, staff projected the expenses as of December 31 to be around $7.5 million which reduces the overall projected net difference of the budgeted vs. projected to $2.5 million.

The District's actual payroll expenses as of October 31 are higher than staff projected by $135,450. While this may be discouraging, Director Peters reminded the Finance Committee liaisons that there is a $1.1 million surplus in the recreation fund and the District has a $2 million surplus in the operations fund. Additionally, the Park District would not have been able to provide all our summer programs and services without having to increase staff and payroll expenses. Director Peters reported that expenses were trending low at the start of the year and revenue was on track until March. As of June, the governor and the Department of Economic Opportunity (DCEO) announced that the state would enter Phase 4 of the Restore Illinois plan, which lifted several programming restrictions come July, so the District quickly transitioned, hired, and trained staff in preparation for those programs and services and revenue quickly increased. She is pleased to report that the Park District's expenses are coming in lower than anticipated even with programs resuming. Staff are projecting that revenue will flatten out throughout November and December, but keep in mind the District currently has $15.6 million in operational revenue vs. the $15.5 million projected for December 31, 2020, so the Park District has surpassed the revenue projected for the year.

Commissioner Grossberg recommends staff emphasizing the reductions in expenses when presenting this to the Park Board of Commissioners with a focus on how bad it could have been vs. where the District's revenue and expense currently are.

Commissioner Bernstein reported that staff are doing a great job.

Executive Director Romes reported that Winter Registration began this week, and registration is about where it was in 2019, which is impressive considering everything going on in the world.

Updated 2020 Tax Levy
Director Peters reported that the District is preparing for the 2020 Tax Levy which affects the District's 2021 financial statements and tax extension. This presentation will be shared with the Park Board of Commissioners at the November 10 Workshop Meeting. She reported that today's discussion includes the recommended updates from the October 22 Finance Committee Meeting.

Recommended Flat Tax Levy vs. Full Tax Levy
Director Peters reported that this option 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. Additionally, the Park District is reducing the levy in the special recreation fund from .04% to .0245%, which will decrease the special recreation levy by $363,381. The reason staff is proposing a reduction to the special recreation levy is due to the reduced inclusion fees due to the pandemic and the deferral of capital projects with ADA components. The Park District budgets $90,000 each year towards inclusion fees and the District has only spent $11,000 for 2020 and is

anticipating a reduced cost in 2021 of $50,000 after speaking with officials at the North Suburban Special Recreation Association (NSSRA). The funds remaining in the 2020 special recreation fund will be rolled into the 2021 budget, so staff does not feel there is a need to replenish an additional $90,000 with the rollover and the reduction of inclusion fees anticipated by NSSRA. Lastly, she reported that the special recreation fund is not tax capped, so this reduction will not have a compounding financial effect.

President Ruttenberg would like to know how much a $600,000 property owner's tax bill will increase with the proposed flat tax levy.

Director Peters reported that a flat tax levy will not increase a homeowner’s taxes assuming someone’s EAV has not changed which she will further explain throughout the presentation.

President Ruttenberg is eager to learn more as he does not want to increase property taxes.

Commissioner Grossberg would like to know what cuts the Park District will have to take down the road by not raising property taxes.

Commissioner Bernstein reported that the recommended flat tax levy, only impacts the special recreation fund, since the Park District is requesting a full CPI increase of 2.3% for tax capped funds which impacts the general and recreation funds, assumes a 0% change in EAV, and an estimated $25 million in new growth.

Director Peters reported that the proposed reduction to the levy for the special recreation fund is only for 2020, as of 2021 staff recommends increasing the levy back to the full .04%. She reported that the loss over 10 years is $363,381; it is only a 1-year hit.

Commissioner Grossberg would like to know if the Park District will have to rely more on property tax revenue since programs will be reduced, suggesting that the District will have to lower revenue projections since programming fees will be reduced.

Executive Director Romes reported that this assumption is true, and the expenses will be significantly reduced, however, there is no correlation between the special recreation tax levy and the 2021 budget.

Commissioner Grossberg would like to know what staff anticipates for 2021 when comparing operational revenue vs. property tax revenue.

Executive Director Romes reported that operational revenue should be much higher, as staff are assuming to be in Phase 4 for all of 2021, which permits programs to run year-round vs. 2020 there was a stay at home order, and facilities were closed for a couple of months. This question will be addressed during the 2021 budget presentation.

Director Peters reported that by the end of 2020 revenue from property taxes will support 65% of the District’s revenue stream, however, staff anticipates operational revenue to increase so the ratio is no longer projected to be at a 65/35 split by the end of 2021. She will provide an estimated ratio at a future Finance Committee Meeting.

President Ruttenberg reported that the proposed flat tax levy will not have an impact on the District’s capital projects, since funds can be drawn from accounts outside of the special recreation fund.

Executive Director Romes reported that the proposed reduction to the special recreation tax levy impacts the amount of revenue available in 2021 to support certain ADA projects, however, the Park District is not eliminating ADA projects due to this reduction. Additionally, since inclusion fees have been reduced by roughly $100,000 the 10-year impact should be viewed as a $263,381 loss. The goal of this proposed reduction is to make a gesture to the community that the Park District is conscious of their taxes as this recommendation does not increase the community's property taxes.

Commissioner Bernstein reported that while he understands some members of the Park Board of Commissioners are opposed to raising property taxes, this alternative solution of a flat tax levy only impacts the special recreation fund, so the perception could be that the Park District is achieving the goal of not raising property taxes at the expense of our disabled community. Commissioner Bernstein reported that he will not favor this alternative if it is a detriment to those who benefit from that fund.

Executive Director Romes reported that staff can update the presentation so that it clearly messages that the Park District's inclusion fund and cost center are fully funded in 2021, the annual contribution to NSSRA and the donation for the development of NSSRA's new facility are fully budgeted and supported through the special recreation fund. Lastly, he reported that the District is not eliminating any ADA projects and revenue can be pulled from other funds such as general or recreation to support those projects.

Truth In Taxation Calculation with a Flat Tax Levy
Director Peters provided a brief report of the factors used to determine the truth in taxation calculation, which includes a 2.3% CPI for the general and recreation funds, an estimated $25 million in new growth, a 0% change in EAV, and a .0245% reduced levy to the special recreation fund. Director Peters reported that Lake County provided the Park District a $5.5 million extension to the general fund in 2020 and the District is requesting a $5.7 million levy for 2021, which provides a $187,061 increase to the general fund. As for the recreation fund, Lake County provided a $5.2 million extension in 2020 and the District is requesting a $5.4 million levy for 2021, which provides a $176,859 increase to the recreation fund. As for the special recreation fund, Lake County provided a $953,381 extension in 2020 and the District is requesting a $590,000 levy for 2021, which provides a $363,381 increase to the special recreation fund. Director Peters reported that the total extension awarded by Lake County in 2020 was $11,742,511 and the District is requesting an $11,743,050 levy for 2021, which is a $539 net difference resulting in a 0.00% calculation for the Truth in Taxation.

President Ruttenberg would like to know what the Park District currently has in the special rec fund.

Director Peters reported that as of October 31, 2020, the Park District has $900,000 available in the special recreation fund due to the cancellation of several NSSRA programs so these funds will be rolled into the 2021 special recreation budget.

Commissioner Bernstein would like to know why the Park District is unable to roll over unused revenue in the capital projects fund.

Director Peters reported that the capital fund is supported by transfers from the recreation fund.

Commissioner Bernstein would like to know why the recreation fund does not have a surplus since several expenses were cut.

Executive Director Romes reported that when the pandemic hit, all park districts suffered a loss of surplus revenue since programming was halted and expenses remained; buildings were still operating and employees were still working in many capacities, so the operational revenue stream which typically accounts for 50% of the District's revenue was paused. However, special recreation services function in the opposite way reporting that most of NSSRA's expenses were paused when programming halted, as these are subsidized programs in which the staffing costs outweigh the programming fees. As a result, NSSRA will have a surplus of revenue come the end of the year, whereas the District's operational revenue increases by having the ability to offer as many programs as possible.

Commissioner Bernstein asked that this message be clearly defined in the presentation to the Park Board of Commissioners.

Director Peters reported that the Truth in Taxation Resolution, which will be presented at the November 17 Board Meeting, will indicate that the Park District received $11.7 million in 2020 and the District is levying 11.7 million with tax capped fund at the 2.3% CPI, however the overall Truth in Taxation is 0.00%. This will feed into the Taxation Ordinance which will be presented to the Park Board of Commissioners in December.

2021 vs. 2020 Budget Expense Summary
Executive Director Romes reported that this slide intends to provide highlights of how staff are reducing expenses in the 2021 budget to the Park Board of Commissioners.

Director Peters reported that staff has decreased expenses by $2.5 million, which is an 11% reduction in budgeted expenses year-over-year compared to 2020. The 2021 budget assumes that the state will remain in Phase 4 of the governors' restorative plan. Regarding wages, staff and administrative salaries and wages are budgeted at $654,081, which is an 8% reduction, and programming wages are budgeted at $538,875, which is a 28% reduction which will occur year-over-year. These budgeted reductions include the merit freeze and the increase to minimum wage. She is pleased to report that staff has eliminated $1.2 million in wages from the 2021 budget, which is a 12% reduction. Other reductions include the elimination of print brochure publications, which is an annual savings of $105,819, or a 91% savings from 2020. Staff has also decreased the District's IMRF/FICA contributions by $92,224 as a result of the wage decrease, which is a 10% reduction year-over-year. She reported that materials and supplies have been reduced by $91,511 which is almost a 25% savings year-over-year. Lastly, she reported that the District typically budgets $5,000 in unemployment claims, which significantly increased this year due to the pandemic. Thankfully, the District is receiving relief funds from the state to support those costs, however, the state has yet to extend or issue relief funds for 2021 related to unemployment so the District is budgeting $144,750 in employment claims for 2021.

President Ruttenberg would like staff to calculate the effect of changes if there were no increases in merit come 2021. Additionally, he would like to know if the 2021 budget reduction includes salaries for vacant admin positions.

Executive Director Romes reported that staff will calculate those effects and present them at a future Finance Committee Meeting. Additionally, the only positions budgeted for come 2021 is the Assistant Director of Recreation and Facilities and 3 vacant positions in parks, however, these positions do not need to be filled if revenue is not returning, but there most certainly is a need to fill these areas.

President Ruttenberg would like to know if the administrative salary reduction is still in place and if those will continue into 2021.

Executive Director Romes reported that temporary furloughs were mandated for administrative employees, however, the furlough was lifted when programming resumed in July.

President Ruttenberg would like to know if the District is paying full salaries.

Executive Director Romes reported that all administrative staff are working over 40hours a week, so they are being compensated for their full salary.

Capital Plan Changes
Director Smith reviewed adjustments made to the capital plan.

A. ***ADA Porous Pave Path Conversion***
   Director Smith reported that the conversion will occur in 2024, however this does not make any of these parks inaccessible from an ADA standpoint.

B. ***Fink Park Drainage Improvements***
   Director Smith reported that this project will occur in 2024 instead of 2023.

C. ***Sunset Woods Basketball Court Grid/Overlay/Color/Stripe***
   Director Smith reported that this project has been moved from 2021 to 2022, since staff are currently working on the Master Plan for Sunset Woods Park.

D. ***Sunset Woods Skate Park Component Replacement***
   Director Smith reported that this area of the park could be included in the Sunset Woods Master Plan, so the skate park component replacement has been moved from 2022 to 2024.

E. ***Sunset Valley Golf Club Cart Path Replacement***
   Director Smith reported that this is a 3-year project which will begin in 2022.

F. ***Sunset Valley Golf Club Bridge Removal and Replacement***
   Director Smith reported that the overall project cost increased by $240,000 due to the findings from the 2020 annual inspection. Additionally, staff plan to spend $100,000 in 2021 on planning documents, which includes geotechnical surveying and bridge design. The removals and replacements will occur in 2022.

G. ***Rosewood Beach Revetment***
   Director Smith reported that the cost for the revetment has been reduced to $350,000 from $750,000. Director Smith reported that staff suggests keeping the $350,000 in the budget, even though the Park Board of Commissioners voted against the mid-term solution.

   President Ruttenberg would like to know how much it would cost if the trapbags were installed.

   Director Smith reported that he is working with SmithGroup to receive the finalized costs, however, he estimates those costs between $5,000 - $10,000.

Five-Year Funding Model

A. ***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. 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 reported that this model does not include tier 4-5 projects or West Ridge Center.

B. ***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.

Executive Director Romes reported that tier 4 and 5 improvement projects will not be funded in either model. He reminded the Finance Committee liaisons that ADA projects fall under tiers 1-3 so those projects will be covered. Additionally, as the District moves forward, staff are hoping revenue will come in higher than projected over the next 5 years, however, he recommends planning conservatively.

Commissioner Grossberg would like to know if staff are planning for Phase 4 of the governor’s restorative program come 2022.

Executive Director Romes reported that the district typically transfers $2.5 from the recreation fund to the capital fund every year, however, this year staff are planning to transfer $1 million to the capital fund. Come 2022, staff feel comfortable transferring $1.5 million, and come 2023, 2024, & 2025 transferring $2 million, if the District follows the model which supports tiers 1 - 3. Additionally, Executive Director Romes reported that the District's financial and legal counsels have reviewed these models and are recommending these conservative transfers.

Commissioner Bernstein would like staff to update the presentation to include the tier 4 and 5 projects as those items are unfunded at this time.

Executive Director Romes reported that there are other options to seek funding, such as acquiring Debt Certificates, however, staff must be very careful about which projects we move forward with and how we fund those projects. Additionally, staff will review the tier 4 and 5 projects.

President Ruttenberg appreciates the conservative approach proposed however he recommends further squeezing the budget wherever possible.

Commissioner Bernstein believes that staff are very sensitive to spending money and recognizes their efforts.

Executive Director Romes reported that the pandemic is making it very difficult for staff to make accurate predictions, however, staff needs to maintain what we have which are tiers 1-3 capital projects.

President Ruttenberg would like a simplified version of tier 1 – 5 projects to share with the Finance Committee at a future meeting so liaisons could better understand the tier 4-5 projects, as they are not currently funded.

<u>Other Business</u>
Director Peters reported that the next Finance Committee Meeting will be held on Thursday, November 19 at 4:00 p.m.

The meeting adjourned at 5:31 p.m.