MINUTES OF A FINANCE COMMITTEE MEETING OF THE BOARD OF PARK COMMISSIONERS OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON THURSDAY, OCTOBER 22, 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, Vice President Kaplan, 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

Public Comment for Items on the Agenda
None.

Updated Financial Forecasts
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 September 30, 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 $27.7 million in revenue and projected 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 $13.7 million, which provides a $1.8 million surplus for the end of the year based on the actual revenue and expenses generated as of September 30, 2020. She reported that the overall reduction between our original budget vs. the projections is a $1.2 million deficit. As of September 30, the Park District has generated a little over $13.3 million in actual revenue vs. the $12.39 million projected, which provides a $1 million surplus. As for expenses, the Park District has spent $9.5 million as of September 30 vs. the $10 million projected, which is a $500,000 negative variance. The year-to-date net difference, which compares the actual vs. projections is a $1.5 million surplus.

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 projected to spend $12.9 million, which is a $2.5 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 $8.5 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 September 30, 2020, the District has generated $4.9 million in actual revenue vs. our projections of $4.1 million, which is an $818,000 surplus in revenue. As for expenses, the Park District has spent $6.5 million vs. the $6.5 million projected, so she is pleased to report those projections were spot on. The year has a $777,000 positive variance thus far.

Commissioner Bernstein would like to know how much the District has cut expenses by.

Director Peters reported that staff cut expenses from $10 million to $6.5 million which is a $3.5 million savings.

Commissioner Bernstein would like to know how much was cut from the operations budget.

Director Peters reported that the District cut $4.75 million in expenses from the operations fund.

Commissioner Bernstein would like to know what cuts contributed to that savings.

Director Peters reported that the District cut $2.5 million in payroll expenses which is the most significant contributor, however other savings came from special event and program cancelations.

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 September 30 are higher than staff projected by $132,000. While this may be discouraging, Director Peters reminded the Finance Committee liaisons that there is a $777,000 surplus in the recreation fund and the District has a $1.5 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 when the pandemic began in March, the District's payroll expenses decreased each month until June. 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 of those programs and services.

Commissioner Grossberg would like to know if the District was able to keep expenses down during the summer months.

Director Peters reported that even though the District had to increase payroll expenses, staff were able to keep the District's overall expense down while increasing revenue.

Recreation Year-to-Date (no taxes) vs. Recreation Year-to-Date Part-Time and Seasonal Payroll
Director Peters shared a graph that compared the District year-to-date part-time and seasonal employee payroll expenses vs. the District year-to-date revenue in the recreation fund, excluding property taxes. As of April, there was a 34% ratio in part-time and seasonal payroll expenses vs. revenue generated from recreational programs. She is pleased to report that as staff better understood which programs were of interest to the community, staff were able to reduce part-time and seasonal payroll expenses so the ratio as of September decreased to 25%.

Commissioner Grossberg would like to know what the ratio pre-COVID.

Director Peters reported that staff has yet to dissect those figures, however, she assumes that there were more labor, and personnel costs this year due to the restrictions put forth by the governor. For example, most programs had to significantly reduce the participant to teacher ratio, which resulted in higher employee costs.

President Ruttenberg would like to know if the District is generating more income per employee since April.

Director Peters reported that as of June the District began generating more income per employee and has maintained a 25% ratio in part-time and seasonal payroll expenses vs. revenue generated from recreational programs.

Commissioner Bernstein would like to know if full-time employees are taking on additional duties to keep expenses low.

Director Peters reported that some full-time staff have been reallocated and have been completing tasks outside of their normal duties and traditional scope.

Commissioner Bernstein does not see the value of this graph as it excludes full-time payroll expenses. He recommended removing this slide as he feels it is irrelevant as staff should continue to focus on the Monthly Payroll Budget vs. Actual vs. Projection slide.

Director Peters reported that the District's actual revenues and expenses aligned with the budget prior to the pandemic. As of June, the District's actual revenues and expenses slowly began to pick up as the state was entering Phase 4 of Restore Illinois in July. While the actual figures have not aligned with the budget, Director Peters is pleased to report that the District's expense are coming in lower than projected and there is a $1.5 million surplus in the operations fund. Even if there is a resurgence, staff has prepared for this to occur in November and December, so we have programs in place should the District have to pivot backward.

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 will include the tax schedule, a tax refresher and an understanding of a tax bill, and a review of actual, prior, and future projected figures under different scenarios, staff will examine short and long-term capital needs and funding models, and lastly, staff will provide an understanding of the District's Truth in Taxation calculation.

Commissioner Bernstein would like to know if today's presentation will include survey data taken from other Districts and their plans for the 2020 Tax Levy.

Director Peters reported that today's discussion will include those findings.

Tax Levy Schedule/Timeline

Director Peters reported that the Finance Committee is meeting today to review the District's financial forecast, the Truth in Taxation Resolution, and the 2020 Tax Levy. On November 5, the Finance Committee will meet to review the District's updated financial forecast and once again review the 2020 Tax Levy. On November 10, staff will present the Truth in Taxation Resolution to the Park Board of Commissioners, which will need to be approved and passed at the November 17 Board Meeting. On December 8, staff will present the Tax Levy Ordinance to the Park Board of Commissioners which will need to be approved and passed at the December 17 Board Meeting. Finally, staff will file the District's approved tax levy with the county on December 28.

Tax Revenue vs. Operating Revenue

Director Peters reported that in 2019 property taxes accounted for 53% of the District's revenue vs. operations which was 47%. She was pleased to report, that these figures nearly mirrored the 2011 ratio, so the tax revenue vs. operating revenue has not changed over the last 10 years, however staff are anticipating property taxes to make up a much larger percentage of the District's revenue for 2020 due to the significant reduction and cessation of operations because of COVID-19. Director Peter's reported that staff are anticipating the 2020 property taxes accounting for 70 - 75% of the District's revenue, which is concerning since the District's operating revenue feeds the capital budget.

Tax Refresher

Director Peters reported that property taxes provide critical funding to support the Park District's mission to maintain the community's assets, which includes repairs and replacements of the District's $68 million of insured assets, parks, and properties that support the general fund's operational maintenance of 45 parks, 4 lakefront properties, and nearly 800 acres of open space and 11 facilities, and $30 million in capital projects which are scheduled to occur over the next five-years. Additionally, Director Peters reported that the Park District has a tax cap, which is unlike most cities and municipalities. As a result, staff reached out to 15 neighboring park districts in Lake County to see if they are going to increase taxes by the CPI of 2.3%. Staff discovered that all 15 neighboring park districts are taxing the full levy at 2.3% and will tax for new growth.

Commissioner Bernstein would like to know if those neighboring districts provided a reason as to why they are taxing the full levy and for new growth.

Director Peters reported that those districts do not want to lose money which would be acquired next year and the compounding losses of tax revenue in the future years. Director Peters reminded the finance committee liaisons that the Park District lost over $10 million in revenue in 2010 when the Park Board of Commissioners approved a tax freeze. The CPI is meant to protect all parties. Additionally, the CPI for next year is projected at .7% due to the impact of the pandemic, so if the Park District approves the full levy next year it will be a substantially smaller increase in taxes vs. what could be acquired this year.

Commissioner Grossberg reported that the most compelling reason to tax the full levy and new growth is due to the significant imbalance between tax revenue and operational revenue. Commissioner Grossberg suggests the Park District will need revenue from the full tax levy and new growth to maintain the District's assets, which he feels are critical to the community, especially during the pandemic. He reported that the few things available to citizens include our properties, and if the District cannot afford to maintain those properties it is a loss to the community.

Director Peters reported that the Tax Levy Ordinance is requested in December, however, the finalized EAV calculations occur in the Spring of 2021. The Park District will receive the amount levied unless the cap limit is reached. As far as property taxes, Director Peters reported that it is important to keep in mind the pandemic has reduced the amount of taxes that the Park District is collecting during the calendar year. As of today, the Park District has collected 90% of its property tax revenue from the community.

Tax Levy Considerations
Director Peters provided a summary of things to consider when making decisions regarding the tax levy, such as uncollected tax revenue cannot be recaptured in future years if the Park Board of Commissioners freezes taxes, increasing the levy by the CPI and new growth avoids a negative impact on all future levies and long-term funding for capital repair and replacement, the tax cap limits the District's ability to keep up with inflation, the District would be giving up revenue without an alternative source to replace it, which will have a compounding negative impact on the District's ability to maintain community infrastructure, resources, services, and amenities, not levying the allowable increase will decrease the District's fund reserves, which could have a negative effect on our District's Triple-A bond rating, thus costing the District more to borrow money and not being good stewards of community assets, and finally if the District does seek it's available levy increase, we have the option to rebate any portion of property taxes collected at a later date.

Tax Levy Frozen 2010 – 2012 vs. Tax Increase by CPI Annually Cumulative Dollars Left on Table
Director Peters shared a graph that compared the Tax Levy Extension freeze vs. what the District could have levied from 2010 through 2019. She reported that the District froze taxes from 2010 through 2012. She reported that when the Park Board of Commissioners froze taxes in 2010 the District had $25 million in reserves and lacked a capital plan; however the Park District will have $15 million left in its reserve come the end of this year, $5 million of which is from the Bond Issuance which needs to be spent on capital projects before December 31, 2021. While the decision to freeze taxes may have benefited property owners in Highland Park, the Park District lost $11.6 million resulting in numerous unfunded GreenPrint projects and deferred maintenance. As of today, the District has acquired and is redeveloping 100 acres of new property, which will need to be maintained along with $30 million over the next five years on capital projects.

Tax Levy Frozen 2020 vs. Tax Increase of 2% Annually 2021 - 2029
Director Peters shared a graph of projections which compares Tax Levy freeze vs. what the District could have levied from 2020 through 2029. Additionally, the State of Illinois has brought up freezing property taxes which would affect this model.

CPI vs. Inflation Comparison
She shared a graph of the computer and software expenses from 2015 through 2019 so the Finance Committee Liaisons could see how much the expenses have increased over the years due to inflation. She reported that software expenses have increased by 175.6% during this time, whereas the CPI increase was 6.8%. This is one example of how the District's expenses outpace Tax Levy.

Draft of the Five-Year Capital Plan
She shared a draft of the District's 5-year Capital Plan, which indicates how much the District plans to spend each year on capital projects based on the prioritization plan. She reported that the District plans to spend $30 million over the next five years, and these projects are supported by transfers from the recreation fund. It is important that the District has enough money left in the recreation fund to support those transfers, and as mentioned a large portion of the District revenue is coming from property taxes vs. the operational revenue. She anticipates this trend will continue into 2021.

Five-Year Funding Model

A. ***CPI increase on tax capped funds spending tiers 1-3 for capital projects***
   The next item reviewed is the Park District's Five-Year Funding Model if the Park Board of Commissioners approves spending tiers 1-3 capital projects. Director Peters reported that the Park District is projecting to spend $4.6 million by the end of 2020 in tiers 1-3 capital projects, additionally, she is pleased to report that the Park District has enough funds available over the next five-years to cover tiers 1-3 capital projects. During this time staff are projecting a $5 million bond issuance in 2024 to help cover costs, and plan to reduce transfers from both the recreation and special recreation funds.

   Commissioner Bernstein would like to know if large scale GreenPrint Projects, which includes West Ridge Center and Centennial Ice Arena, are included in the Five-Year Funding Model.

   Director Peters reported that West Ridge Center is not included, however, the renovations at Centennial Ice Arena are included in the $25.5 million, which covers tier 1-3 projects. Come the end of 2023, the Park District will have less than $375,000 in the capital fund.

B. ***CPI Increase on tax capped funds spending all tiers for capital projects***
   Director Peters reported that if the Park Board of Commissioners approves the CPI increase on tax capped funds and plan to cover all capital projects (tiers 1-5) spending all tiers, which covers scheduled maintenance, improvements, and new projects, the District will deplete the capital fund by 2022.

   Commissioner Bernstein would like to know if these figures include the installation of synthetic turf.

   Executive Director Romes reported that this includes some aspects of the athletic field management strategy, however, it excludes the installation of synthetic turf.

C. No increase on tax capped funds (property freeze) spending tiers 1-3 for capital projects

Director Peters reported that if the Park Board of Commissioners decides to freeze property taxes the District will deplete the capital fund in 2023, and will have to wait for the bond issuance in 2024 to complete tier 1 -3 capital projects, which are critical repairs. Additionally, there will be less than $250,000 left in the capital fund come the end of 2025.

D. No increase on tax capped funds (property freeze) spending all tiers for capital projects

Director Peters reported that if the Park Board of Commissioners decides to freeze property taxes the District will deplete the capital fund in 2022, and the bond issuance will not be enough to support all those projects so items will be deferred till funds are available.

Commissioner Bernstein would like all these graphs placed on one slide when presented to the Park Board of Commissioners.

Impacts on a Residents Property Taxes

Director Peters reported that the average fair market value of a home in Highland Park is $600,000. 7% of a homeowner's taxes go to the Park District of Highland Park, which is significantly less than the City and the School Districts. If the Park District increases the tax levy by 2.3%, which is the full amount, a Highland Park homeowner, whose house is worth $615,000, would see an additional $26 added to their annual bill from the Park District, whereas the District could lose up to $3.2 million over the next 10 years.

Truth In Taxation

A. Calculation with the Full 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, which is the full levy in 2020, a 0% change in EAV, and an estimated $25 million in new growth. The District's financial advisor and legal counsel reviewed the District's truth in taxation document, which compares the 2020 fiscal year extension, the 2021 fiscal year levy request, and the 2020 extension vs. the 2019 levy request. Director Peters reported that Lake County provided the Park District a $5.5 million extension to the general fund, a $5.2 million extension to the recreation fund, and $953,381 to the special recreation fund, totaling an $11.7 million extension in 2020. The Park District is proposing the full tax levy come 2021, in which the county would award $5.7 million to the general fund, $5.4 million to the recreation fund, and $975,000 to the special recreation fund, totaling $12.1 million. The 2020 extension vs. the 2019 levy request would provide a $204,204 increase to the general fund, a $206,665 increase to the recreation fund, and a $21,619 to the special recreation fund. Additionally, the District is asking to tax new growth, so the total increase to revenue would be $432,488, for a 3.68% change to the Truth in Taxation. Since the percentage is less than 5% the Park District does not have to host a public hearing.

B. Calculation without the Tax Levy (property tax freeze)

Director Peters reported that Lake County provided the Park District a $5.5 million extension to the general fund, a $5.2 million extension to the recreation fund, and $953,381 to the special recreation fund, totaling an $11.7 million extension in 2020. The Park District would only go after new growth, which the county would award $5.6 million to the general fund, $5.2 million to the recreation fund, and $975,000 to the special recreation fund, totaling $11.8 million. The 2020 extension vs. the 2019 levy request would provide a $58,170 increase to the general fund, a $54,998 increase to the recreation fund, and a $21,619 to the special recreation fund. The total increase to revenue would be $134,787, for a 1.15% change to the Truth in Taxation.

President Ruttenberg would like to know how new growth impacts a $615,000 homeowner's tax bill.

Director Peters reported that new growth only affects residents who purchased a home in 2020, placed an addition on their home, or tore down their home. If you are a homeowner there is only a 2.3% increase on your property tax bill.

Summary
Director Peters reported that staff are recommending a full tax levy at 2.3% CPI, and to tax new growth at the anticipated 3.68%.

Commissioner Bernstein would like to know if the City of Highland Park is increasing their tax levy for 2021.

Director Peters reported that the original press release from the City of Highland Park indicated that there would not be an increase, however, there was a clarifying press release which states the City will do a full levy on pensions, tax new growth, and will collect money for vehicle stickers which was not collected this spring. The City will have to have a public hearing since their Truth in Taxation amount is 5.8%.

Commissioner Bernstein would like to know what School District's 112 and 113 plan to do.

Executive Director Romes reported that School Districts 112 and 113 will levy the full amount and tax new growth.

President Ruttenberg would like to see what operational expenses have been cut from the Park District's budget before making any decisions on the 2020 tax levy.

Executive Director Romes reported that staff has made significant cuts to the operating budget, and further cuts can be made if the Park Board of Commissioners decides to freeze taxes, however, that does not change the compounding loss of revenue the District will incur. Additionally, once services resume, expenses will increase, so the Park District cannot keep making cuts to the budget to make up for the loss from the tax levy.

Commissioner Bernstein would like to know if staff could reduce programming costs rather than increase property taxes.

Executive Director Romes reported that the issue is the District needs the revenue, and expenses will increase to run those services provided to the community. If expenses are increasing then staff will need to decrease programming costs. If we want to deliver those same services to the community, it is extremely difficult to reduce programming fees.

Commissioner Bernstein would like to know if there is another way to provide relief to the community without decreasing property taxes.

Executive Director Romes reported that the District could potentially provide relief to those who participate in programs, not the whole community.

President Ruttenberg is opposed to raising property taxes and would prefer further cuts to the District's operational budget.

Commissioner Bernstein reported that if the Park Board of Commissioners feels strongly about freezing property taxes then the Finance Committee needs to revisit the Five-Year Capital Plan and see if further cuts can be made since costs are not sustainable if we freeze taxes. Additionally, if the Park Board of Commissioners feels strongly about providing relief to community members then staff needs to examine programming vs. increasing property taxes.

With this being said, he is comfortable hearing the intentions of the City of Highland Park with regard to their levy, the plan of the 15 neighboring park districts and will vote in favor of a full tax levy at 2.3% plus taxing new growth, however, he would like the next presentation to examine programming cuts and possible fee reductions vs. an increase in property taxes. He would like to know if there is enough time for the Finance Committee to meet to discuss this, as he understands the tax levy needs to be approved in the near future.

Director Peters reported that the Truth in Taxation Resolution will be reviewed with the Park Board of Commissioners at the November 10 Workshop Meeting, which will need to be approved and passed at the November 17 Board Meeting. On December 8, staff will present the Taxy Levy Ordinance to the Park Board of Commissioners which will need to be approved and passed at the December 17 Board Meeting. Finally, staff will file the District's approved tax levy with the county on December 28.

Commissioner Bernstein reported that does not provide enough time to examine the budget, so he recommends staff move forward with their proposal of a full levy and taxes to new growth.

Executive Director Romes reported that staff could examine programming fees and provide generalizations at an upcoming Finance Committee Meeting regarding the budget, however it is going to be a challenge to not increase fees while trying to protect and maintain the District's assets.

President Ruttenberg would like a budget mock-up showing significant reductions.

Executive Director Romes reported that staff can provide generalizations in regards to decreases in expenses, programming fees, and charges, and possibly discuss other alternatives to relieve the taxpayers, however staff believes increasing the taxes by CPI is important to ensure that the District has necessary funds to support and maintain our assets. These items will be discussed at the November 5 Finance Committee Meeting, so a decision will need to be made, as staff will present this to the Park Board at the November 10 Workshop Meeting.

The meeting adjourned at 5:43 p.m.