MINUTES OF A THE FINANCE COMMITTEE MEETING OF THE PARK DISTRICT OF HIGHLAND PARK HELD ON OCTOBER 21, 2021, 4:03 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, Vice President Grossberg, 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:	Bob Lewis, PMA Securities, LLC Senior Vice President, Managing Director Kelly Kost, Partner Chapman and Cutler LLP

Approval of the Finance Committee Meeting Minutes from September 22, 2021 and October 6, 2021

The minutes from the September 22, 2021 and October 6, 2021 Finance Committee Meetings were approved.

2022 Tax Levy Presentation

Director Peters reported that the District is preparing for the 2021 Tax Levy which affects the District's 2022 financial statements.

Tax Levy Timeline

Director Peters reported that the Tax Levy and the Truth in Taxation Resolution will be presented this evening. At the November 16 Regular Board Meeting staff will be seeking approval from the Board of Park Commissioners to pass the Truth in Taxation Resolution. Since the Truth in Taxation amount exceeds 5%, the Park District will need to conduct a Public Hearing at the Regular Board Meeting on December 16. In conjunction with the Public Hearing staff will be requesting approval of the Tax Levy Ordinance. Once approved, the Tax Levy Ordinance will be filled with Lake County on Tuesday, December 28.

Tax Revenue vs. Operating Revenue

Director Peters reported that the Park District strives to generate 45% of its revenue from operations and 55% of its revenue from property taxes. In 2019 property taxes accounted for 53% of the District's revenue, whereas in 2020 that number increased to 66%. This was due to closures and program cancellations caused by the pandemic. As of today, staff are projecting property taxes will account for 55% of the District's revenue, and operations will account for 45%. She is pleased to report that this year's ratio is comparable to pre-covid years.

Tax Levy Refresher

Director Peters reported that the purpose of the tax levy is to appropriate necessary funds to support mission-critical community assets and services. As a reminder, the District has $54 million in capital assets, of which $39 million has been identified as Tier 1 - 3 repair and replacement projects, $26 million has been identified as Tier 4 - 6 improvement projects, and $21 million has been identified as Tier 5 unfunded projects. Additionally, the District has operational maintenance costs to maintain and repair 45 parks, 4 lakefront properties, 11 facilities, and nearly 800 acres of open space.

Tax Levy Considerations

Director Peters provided a summary of things to consider when making decisions regarding the tax levy, such as increasing the levy by the CPI and new growth avoids a negative impact on all future levies and long-term funding for capital repair, replacement, improvements, and operational maintenance. Additionally, uncollected tax revenue cannot be recaptured in future years, it limits the District's ability to keep up with inflation, it reduces the necessary 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, and lastly, it decreases 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.

Tax Levy Factors

Director Peters provided a brief summary of items the District needs to consider when preparing the tax levy.

When looking at the general and recreation funds, which are both tax capped, the District needs to consider the CPI. As a reminder, current tax law restricts park districts to limit increasing their levy by CPI or 5%, whichever is lower; the CPI factor is automatically adjusted through economic conditions. The CPI for 2021 is 1.4%. Additionally, the District should pull in New Growth, as it accounts for new property which cannot be accessed in future years. As of September 9, District received a statement from Lake County estimating that the Park District will receive $22 Million from New Growth, so staff are recommending $25 million for the tax levy. Another factor to consider is the Equalized Assessed Valuation (EAV), which Lake County estimates a .7% increase for the year, so staff are recommending 2% for the levy.

As for the Special Recreation Fund, which does not have a tax cap, a percentage of the EAV is levied. Staff are recommending .04% for this year's levy, since last year was reduced, allowing for a 0% Truth in Taxation.

Truth in Taxation Calculation and Resolution Reviewed by PMA

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, so staff are recommending a $5.8 million levy, which is a $140,943 increase (or a 2.4% increase). The Recreation Fund had a $5.4 million extension last year, so staff are recommending 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 due to the flat tax levy, so staff are recommending a full levy this year for $990,000, which is a $399,987 increase (or a 6.7% increase). In total, last year's extension was $11.7 million, so staff are recommending a $12.3 million levy this year, which is an increase of $674,186 or 5.7% Truth in Taxation Amount.

Staff are requesting that the Park Board of Commissioner's pass the Truth in Taxation at the November 16 Regular Board Meeting. If approved the Public Hearing will be held on December 16 at the Regular Meeting, where staff will be requesting that the Board of Park commissioners pass the Tax Levy Ordinance.

Commissioner Freeman would like to know how the tax levy impacts taxpayers.

Director Peters reported that assuming the median household amount is $615,000, their two tax bills will increase by $33, $66 for the year.

Vice President Grossberg would like a brief explanation which he could provide to community members when asked why the Park District is requesting a full tax levy.

Director Peters reported that staff has identified $26 million of unfunded projects. Without the tax levy, that number will significantly increase, so several improvements will be deferred along with some critical repairs and replacements needed for capital assets.

President Ruttenberg feels that a full tax levy responsibly prepares the financial health of the District in 2022 and years to come. A flat tax levy was offered last year due to the pandemic, and as the economy rebuilds, he supports staff recommendation of a full tax levy.

Supplemental Property Tax Levy

Tax Levy for the Debt Service Fund

Director Peters reported that the purpose of the tax levy for the debt service fund is to appropriate necessary funds to the General Obligation Bonds. The tax levy amount is determined by the Principal and Interest in the Debt Service Payment Schedule at the time the Bond is sold, and the Supplemental Tax Levy increases the amount of taxes levied to pay the Bonds up to the amount of the principal of and interest due on the Bonds payable from the taxes levied for such levy year. Furthermore, the District has the authority, in accordance with the provisions of the Park Code, the Debt Reform Act and the Tax Extension Limitation Law, to adopt a supplemental levy causing the amount of taxes levied to pay the principal of and interest on the Bonds to be increased up to the amount of the 2021 Base (net of any taxes levied for each such levy year to pay other limited bonds of the District), or the amount of the principal of and interest due on the Bonds payable from the taxes levied for each such levy year, whichever is less.

Director Peters and Mr. Lewis, PMA Securities, received several questions from the Board of Park Commissioners regarding the Supplemental Property Tax Levy, so they are here this evening to better explain and address those questions.

1. Why is a Supplemental Ordinance necessary? Couldn't levies have been filed as needed in 2020.

   Mr. Lewis reported that the Debt Service Extension base (DESB) is tied to CPI, so until the new CPIs are known, the authority does not exist to levy and extend taxes to capture the assumed growth. Therefore, the ordinance filed with the 2020 Bonds can only have levies less than or equal to the then known DSEB. As a result, the District has the authority to levy the additional taxes and file a supplemental ordinance any time after the new CPI becomes available each January, but not later than February 28 of the following year.

2. Why was this not done under prior financings.

   Mr. Lewis reported that this became available in 2009, and for several years the District did not conduct a non-referendum borrowing, so there was no non-referendum debt for some time. When the District began issuing non-referendum debt the Board of Park Commissioners decided against going right up to the DSEB as that would have imposed a significant increase from one year to the next. As a result, this is the first financing where this comes into play for the Park District to take advantage of the additional growth in the DSEB.

Mr. Lewis shared a snapshot of the Supplemental and Total Taxes Levied and to be Extended in the proposed ordnance written by Chapman and Cutler and a graph of the existing debt service extension base. The 2021 levy has $410,300 of debt service on the bonds, $391,009 is taken from the current tax levy on file, and $19,290 accounts for the supplemental tax levy. As a result, the total taxes to be extended will produce $410,300 this year. The DSEB is expected to grow by 1.5% per year. Overall, the advantage of this is the principal can be amortized in 2022 and 2023 which permits more borrowing capacities in future years.

3. Why does the plan of finance incorporate DSEB growth?

   Mr. Lewis reported that the DSEB captured as a result of new growth is principal that is amortized sooner which results in lower interest expense and more future capacity (i.e., this principal will be paid later if not paid in levy years 2021, 2022, and 2023, thus reducing capacity in future financings). When capturing the "CPI growth" on the debt correlates to the growth in the operating levy for existing EAV. The growth can only be captured to the extent there is additional debt service to pay. If CPI is higher than the assumed 1.5% growth in the debt payment, the additional CPI above ~1.5% cannot be levied. Thus, if CPI is 5% in 2022, the bond levy can only increase to capture what was originally assumed (~1.5%). With the gradual increase in the debt service, the change in the levy will not be as dramatic in 2024 when bonds are scheduled to next be issued, had the payment been kept constant for the first four years.

4. What happens if the board does not approve the Supplemental ordinance.

   Mr. Lewis reported that the additional debt service above the DSEB known in 2020 will have to be paid from funds on hand.

President Ruttenberg would like to know what is the net effect of the supplemental property tax levy on the taxpayers.

Director Peters reported that the supplemental property tax levy will cost taxpayers an additional dollar per person in the household.

Commissioner Bernstein would like to know if there is an added cost to the District to seek $19,000.

Mr. Lewis reported there is no extra cost to the District to seek $19,000. This is part of the services offered by the District's bond counsel, Chapman and Cutler.

General Obligation (Limited Tax) debt Certificates, Series 2021
Refunding Debt Certificates Summary
Mr. Lewis reported that the Park District has two outstanding two debt certificates which staff would like to refund. The 2012 and 2013 certificates are callable on December 15, 2021, for the remaining principal balance of $5.4 million. By paying those off early, staff will save the District roughly $250,000 in interest. Since staff are requesting that the refunding occur within 90 days of the call date, it is tax-exempt. When

debt certificates are refunded the payment can be amortized differently to create payment flexibility and issue additional debt, so this ordinance proposes that the Park District issues additional debt of $17 million.

When examining the existing debt certificates (2012 and 2013) which are funded by operations, the District pays $1.5 million annually, on December 15. In conjunction with the debt certificate payment, the District transfers 60% of the $1.5 million from the Recreation Fund (a little over $900,000 at the end of each fiscal year) and 40% from the General Fund (a little over $600,000 at the end of each fiscal year). When the existing debt certificates are refunded and new certificates are issued, the annual payment will not change, however, the Park District will owe $1.5 million for the next 10 years.
Additionally, the Park District would like to issue another $2 million which would be the debt service for the Park Avenue Project. That $2 million will be amortized in payments over the next 20years. The reason this debt service is separate from the other $15 million, is this debt service will be paid out of the Park Avenue Cost Center and supported by other sources of revenue such as user fees and grants.

When combined the total debt service owed on December 15 over the next 10 years is $1.6 million (1.5 million from operations and $118,750 from the Park Avenue Cost Center). In 2030, the Park District could issue another $9.1 million in debt certificates, which would have no impact on the District's annual payment on December 15. Lastly, the Park District has a General Obligation Bond financing plan, in which the District will issue $5.6 million in 2024, $6 million in 2028, $5 million in 2031, and an additional $5 million every 3-4 years thereafter.

Draft Timeline of Key Events
Director Peters and Mr. Lewis reported that staff delivered the credit rating presentation to Moody's on October 18, so the Park District will obtain its credit rating on October 22. Additionally, staff will request that the Board of Park Commissioners adopt the Parameters Ordinance at the October 26 Regular Board Meeting. If adopted the bonds will be sold on October 27 so that the District can receive $17 million as of December 15.

Vice President Grossberg would like to know if the 10-year rolling ability to create new bonds is standard practice across park districts.

Mr. Lewis reported that this practice is common across all types of governments, including park districts.

Draft of the 11-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, $6 million in 2028, and $9.1 million in 2031. 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. Overall, this model provides funding for tier 1 - 5 capital projects until 2031.

Do Other Districts have a Fund Balance Policy for the Capital Fund
Director Peters reported that staff surveyed roughly 40 surrounding Districts and found that no Park Districts have a Fund balance Policy for the Capital Fund. Furthermore, The Park District of Highland Park's current Fund Balance Policy states that the Capital Projects Fund balance is reviewed in developing the Capital Improvements Program. Debt financing, grants, or inter-fund transfers can be used to finance

projects when balances are not adequate. The Fund Balance of a capital project-type fund is 100% restricted, committed, or assigned for acquisition, construction, and development. Also, all the expenditures in these funds are for Capital Assets. Increases and decreases in fund 42 Policy # 3.02 – Fund Balance/Net Asset Policy Page 3 of 3 balances are associated with the specific projects planned. Therefore, no specific target is established for this fund.

Tier 6 Unfunded Capital Projects

Director Peters shared a list of unfunded tier 6 projects, totaling $21.2 million. Some of these projects may shift into other tiers, however, those projects cannot commence until 2023.

President Ruttenberg would like to know what the ending balance would be in the capital fund as of December 31, 2031, if the Park District does not receive user fees to support Park Avenue operations.

Director Peters reported that the balance as of December 31, 2031, would be reduced by $1 million.

Tax Levy Ordinance

The Park District's legal counsel, Chapman and Cutler LLP, reviewed language from the Ordinance, reporting that the Park District has the ability to borrow for debt certificates for any projects, as defined by the Park Code. Additionally, the continuum on a debt certificate provides flexibility allowing the Board of Park Commissioners to decide which projects the debt certificates should fund.

President Ruttenberg would like to know if the language in the Ordinance allows the Board of Park Commissioners to spend the money issued from the debt certificates on any project.

Mr. Kelly reported that the language indicates the Board of Park Commissioners will decide which projects the debt certificates will fund. yes, how it is currently written you can do the projects upfront and the borrowing later.

Capital Plan/Project Updates

A. 2021 Park Tree Removals Bid

Director Voss reported that the 2021 Park Tree Removal Bid includes the removal of 34 trees across 8 park sites, which includes Danny Cunniff Park, Port Clinton Park, Central Park, Laurel Park, Brown Park, Larry Fink Park, Sunset Woods Park, and Rosewood Park. The District received 5 bids this morning, and Robert Kinnucan Tree Experts and Landscaping Company, Inc. in Lake Bluff, was the low bidder at $31,700. As a reminder, there is $30,000 in the Capital Budget, however, $8,200 has already been spent out of the budget on other projects, so the anticipated end-of-season spend for the 2021 Capital Budget is $39,900. Even though the project will exceed the 2021 Capital Budget staff are seeking consensus from the Finance Committee to place the bid proposal from Robert Kinnucan Tree Experts and Landscape Company, Inc. on the Consent Agenda at the November 16 Regular Board Meeting.

Staff received consensus from the Finance Committee to place the bid proposal from Robert Kinnucan Tree Experts and Landscape Company, Inc. on the Consent Agenda at the November 16 Regular Board Meeting.

B. Recreation Spin Bike Sole Source Purchase

Assistant Director Murrin reported that Manager DiTomasso presented to the Board of Park Commissioners the need for new spin bikes with supportive, interactive, and metric-based software in 2020. Due to the pandemic, the replacement was deferred. Additionally, staff responded to the pandemic by offering outdoor group fitness classes. As a result, the condition of the bikes worsened due to heavy usage and the outdoor elements, so staff are recommending the same bikes for purchase, Stages, with the exception of the bike on the fitness floor, going from the Stages Solo bike to Commercial Peloton bikes (Precor purchased peloton, household name). Furthermore, with the continued interest in outdoor spin, staff are recommending we trade-in fewer bikes to be able to offer both outdoor and indoor cycling opportunities.

In 2020, the original quote was for 28 classroom bikes, Stages Solo for the Fitness Floor, and 33 Keiser trade-ins for $57,770. This year staff are recommending that number be reduced to 21 classroom bikes, since the price per bike has increased by $280, purchasing Peloton for the Fitness Floor, trading-in 17 Keisers, and keeping 15 Keisers for outdoor use for $58,568. The budgeted amount for this project in the 2021 capital budget is $60,000

Assistant Director Murrin reported that staff are seeking consensus from the Finance Committee to place the purchase of new Stages bikes in the amount of $58,568 through sole source provider Direct Fitness Solution on the consent agenda for the October 26 Regular Board Meeting.

President Ruttenberg fully supports staff's recommendation.

Vice President Grossberg would like to know how many people are attending indoor classes.

Assistant Director Murrin reported that both indoor and outdoor classes area averaging 11-12 people per class which is consistent with all other class averages.

Commissioner Freeman supports staff's recommendation.

Commissioner Bernstein would like to know what class sizes were prior to covid.

Assistant Director Murrin reported that pre-covid there was between 12- 15 per class.

Commissioner Bernstein would like to know what the life expectancy is for the recommended bikes.

Assistant Director Murrin reported if the bikes receive heavy usage the life expectancy is between 5 - 8 years. Our current bikes are at 8 years.

Commissioner Bernstein would like to know when the bikes will arrive.

Assistant Director Murrin reported that the Stages bikes could be delivered in 2 weeks from the order date. Peloton bikes could take up to 2 months from the order date.

Staff received consensus from the Finance Committee to place the purchase of new Stages bikes in the amount of $58,568 through sole source provider Direct Fitness Solution on the consent agenda for the October 26 Regular Board Meeting.

Other Business

Director Peters reported that the next Finance Meeting is Thursday, November 18 at 4:00 p.m.

Adjournment
The meeting adjourned at 5:26 p.m.