

NOTICE OF FINANCE COMMITTEE MEETING

Wednesday, November 30, 2022

8:00 a.m.

Park District of Highland Park
Board of Park Commissioners
636 Ridge Road, Highland Park, IL 60035
No Live Stream

FINANCE COMMITTEE MEETING AGENDA

- I. **CALL TO ORDER**
- II. **ROLL CALL**
- III. **ADDITIONS TO THE AGENDA**
- IV. **APPROVAL OF THE FINANCE COMMITTEE MEETING MINUTES FROM OCTOBER 11, 2022 AND OCTOBER 18, 2022**
- V. **2023 BUDGET PRESENTATION**
- VI. **COST CENTER PROJECTIONS PRESENTATION**
- VII. **OTHER BUSINESS**
- VIII. **OPEN TO PUBLIC TO ADDRESS BOARD**
- IX. **CLOSED SESSION PURSUANT TO THE FOLLOWING SECTIONS OF THE OPEN MEETINGS ACT:** Section 2(c)1: The employment, compensation, discipline, performance, or dismissal of specific employees, specific individuals who serve as independent contractors in a park, recreational, or educational setting, or specific volunteers of the public body or legal counsel for the public body; Section 2(c)5 – the purchase or lease of real estate including discussion on whether a certain parcel of property should be acquired; Section 2(c)6 – the setting of a price for sale or lease of property owned by the District; Section 2(c)8 – security procedures and the use of personnel and equipment to respond to an actual, a threatened, or a reasonably potential danger to the safety of employees, students, staff, the public, or public property; Section 2(c) 11 – litigation against or on behalf of the District or where the District finds that an action is probable or imminent; Section 2(c) 21 – the discussion of minutes lawfully closed under the Act, whether for the purposes of approval of said minutes or for conducting the semi-annual review of the minutes as set forth in section 2.06 of the Act.; Section 2(c) 29 - for discussions between internal or external auditors and the Board. Possible action by the Board on items discussed in closed session.
- X. **ADJOURNMENT**

**MINUTES OF A THE FINANCE COMMITTEE MEETING
OF THE PARK DISTRICT OF HIGHLAND PARK
HELD ON OCTOBER 11, 2022 8:04 A.M.**

Present: Commissioner Bernstein, Vice President Freeman

President Grossberg joined the meeting at 8:44 a.m.

Absent: None

Also, Present: Executive Director Romes; Director Peters, Director Gogola; Director Smith; Director Voss; Director Carr; Director Kopka; Director Ochs; Assistant Director Maliszewski; Manager Baczek; Coordinator Hejnowski

Guest Speaker: None

Additions to the Agenda

None.

Fund Balance Policy

Director Peters provided a review of the Park District’s fund balances over the last ten years.

Commissioner Bernstein would like to know if there is a policy for the Capital Fund.

Director Peters reported that based on findings from neighboring Districts a policy is not recommended.

Commissioner Bernstein would like to know where funds for emergency repairs are allocated.

Director Peters reported that money would be taken from the reserves, and the general and recreation funds since money cannot fluidly move from the capital fund.

Commissioner Bernstein requested that a summary be shared with Commissioner Ruttenberg explaining which funds allow money to fluidly move between funds.

General Fund

Currently, there is a 25% reserve. Auditors recommend a 40% reserve; however, staff and legal counsel are recommending 30-40% of annual operating expenditures.

Recreation Fund

Currently, there is a 25% reserve. Auditors recommend a 40% reserve; however, staff and legal counsel are recommending 30-40% of annual operating expenditures.

Special Recreation Fund

Currently, there is a 15% reserve. Staff and legal counsel are recommending a 20-30% reserve, and that significant amounts be transferred yearly to support ADA projects as identified by staff.

Debt Service

Staff and legal counsel are recommending removing the fund balance policy for this fund since this fund is meant to pay off principal and interest, this aligns with neighboring Districts.

Staff received consensus from the Finance Committee to place the recommended changes to the fund balance policy on the consent agenda at the October 26 Regular Meeting.

Draft Five-Year Capital Plan Review

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

Tier 1: Safety/Legal Compliance

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

Tier 2: Critical Repair/Replace Existing Items

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

Tier 3: Scheduled Replacement

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

Tier 4: Improve Existing Items

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

Tier 5: New

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

Tier 6: Unfunded

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

Director Smith highlighted significant projects in the 2023 plan.

A. Parks:

Danny Cunniff Park

Staff are trying to put together a fundraising committee to support pickleball renovations earmarked for 2023.

Commissioner Bernstein and Vice President Freeman reported that converting tennis courts into pickleball courts is a priority over the lights.

Larry Fink Park

\$500,000 has been allocated to Danny Cunniff Park thanks to the Athletic Boosters Club, as they are trying to raise \$1.7 million for the Fink Park Athletic Field Development project instead of \$1 million.

Commissioner Bernstein requested a follow-up meeting with the Park Board to discuss the District's Athletic Fields.

Moraine Park

\$1.5 million is unfunded for the toe restoration.

Commissioner Bernstein would like to discuss this project at a future Lakefront, Parks, and Natural Areas Committee Meeting.

Port Clinton Park

Would like a meeting with the City of Highland Park and the downtown Business Alliance to discuss funding for this project.

Sunset Woods Park

There are funds budgeted to conduct a site survey to support the master plan.

Commissioner Bernstein commended staff on the Albion Restoration.

The Preserve of Highland Park

President Grossberg commended staff on trail signage.

B. Facilities:

Centennial Ice Arena

Commissioner Bernstein would like staff to present options for the old gymnastics space at a future Facilities and Recreation Committee Meeting.

Deer Creek Racquet Club

There is \$200,000 budgeted for planning dollars to renovate the facility to possibly renovate the racquetball courts.

Commissioner Bernstein requested that staff get the locker room and racquetball court dimensions to explore alternative usage. Furthermore, he would like to discuss how to spend the \$200,000 budgeted in 2023 at a future Facilities and Recreation Committee Meeting.

Golf Learning Center

There is \$200,000 budgeted in 2023 for possible locker room repairs.

Commissioner Bernstein would like an update on capital improvements, lease terms, and share a business model for the dome in the spring of 2023.

Hidden Creek AquaPark

The concrete decking and shade structure are being replaced. Both repairs will be completed before opening weekend in 2023.

Park Avenue Beach and Boating Facility

South storage repair has been broken into two phases and there are funds earmarked for the first phase. There are also funds from the OSLAD grant earmarked for 2023. Lastly, there are funds budgeted for a daily pay pass system, whether it be an app or a machine.

Recreation Center of Highland Park

Commissioner Bernstein requested that the locker room repair/replacement, gymnasium floor resurfacing, and the lower-level lobby floor replacement be discussed in the spring of 2023 at a Facilities and Recreation Committee Meeting.

Sunset Valley Golf Club

The current golf cart lease expires at the end of 2023, however, staff will go out to bid this year so that the new carts are ready to be used in 2024 since delivery takes 12-14 months.

Commissioner Bernstein feels the tent pad is underutilized and requested staff explore enhancements.

Manager Ochs reported that there are funds budgeted to purchase new furniture to enhance the tent pad.

West Ridge Center

Executive Director Romes reported that Holabird and Root will present to the Park Board in November.

Park Avenue Sub-Fund

Director Peters reported that the Park District issued \$17 million in debt certificates in 2021. \$15 million of those debt certificates would be spent to renovate West Ridge Center and \$2 million on projects at Park Avenue Beach and Boating Facility. Staff would like to pay Park Avenues' debt from operations, so staff would like to create a Park Avenue Sub-Fund for transparency. Based on projections, Park Avenue will have a \$23,000 deficit as of December 31, 2022. However, as the site is renovated operating revenues will increase, and staff anticipates the site will have a surplus, staff are recommending a sub-fund to closely monitor revenue and expenses at the site.

Vice President Freeman supports staff's recommendation and would like other large-scale projects to have sub-funds.

Commissioner Bernstein would like to know if the Auditors support staff's recommendation.

Director Peters reported that the Auditors support staff's recommendation.

Staff received consensus from the Finance Committee to create a Park Avenue Sub-Fund.

Finance Committee Meeting Minutes
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Other Business

None.

Open to the Public to Address the Board

None.

Adjournment

The meeting adjourned at 9:36 a.m.

Respectfully submitted,

Roxanne Hejnowski, Assistant Secretary

**MINUTES OF A THE FINANCE COMMITTEE MEETING
OF THE PARK DISTRICT OF HIGHLAND PARK
HELD ON OCTOBER 18, 2022 8:01 A.M.**

Present: Commissioner Bernstein, Commissioner Ruttenberg, Vice President Freeman, President Grossberg

Absent: None

Also, Present: Executive Director Romes; Director Peters, Director Gogola; Director Smith; Director Voss; Director Carr; Director Kopka; Assistant Director Maliszewski; Assistant Director Murrin; Manager Ochs; Manager Baczek; Coordinator Hejnowski

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

Additions to the Agenda

None.

Resolution #2022-07: Truth in Taxation – Review of the Tax Levy

Tax Levy Schedule/Timeline

Director Peters reported that staff are here today to present the recommended tax levy and the supporting Truth in Taxation Resolution, on November 16, staff will request approval from the Park Board of Commissioners to pass the Truth in Taxation Resolution. On December 8, a public hearing notice will be publicized in the local papers regarding the Park District’s Truth in Taxation Resolution. On December 14 there will be a public hearing where staff will request that the Park Board of Commissioners approve and pass the Tax Levy Ordinance. Finally, on December 15, staff will file the District’s approved Tax Levy Ordinance with Lake County.

Tax Revenue vs. Operating Revenue

In 2019, property taxes accounted for 53% of the District’s revenue vs. operations which was 47%. During the pandemic (2020), property taxes accounted for 66% of the District’s revenue. In 2021, property taxes accounted for 56% of the District’s revenues.

Tax Refresher

Director Peters reported that the purpose of the tax levy is to appropriate necessary funds to support mission-critical community assets and services which include repairing and replacing \$42 million in capital assets, \$30 million in capital improvements (\$25 million is currently unfunded), and cost for operational maintenance to support 45 parks, 4 lakefront properties, and nearly 800 acres of open space and 11 facilities.

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.

Tax Levy Factors

Regarding the General and Recreation Funds, the current tax law restricts park district to limit increasing their levy by CPI or 5%, whichever is lower; the CPI factor is automatically adjusted through economic conditions. The CPI for 2022 is 9.1%. The most significant impact has been on projects since several bids have been coming over budget. Another thing to consider is new growth, which accounts for new property that cannot be accessed in future years. As of September 1, 2022, new growth is estimated at \$13 million so staff are recommending that number to increase to \$25 million come the end of the year. The last thing to consider is the equalized assessed valuation (EAV). As of September 1, 2022, the EAV is 4.3%. As for the Special Recreation Fund, the EAV is .04%.

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.

Tax Cap General fund

For the current fiscal year, Lake County provided the Park District with a \$5.8 million extension. Staff are recommending levying \$6.3 million for 2023, a 7.69% increase.

Tax Cap Recreation fund

For the current fiscal year, Lake County provided the Park District with a \$5.5 million extension. Staff are recommending levying \$6 million for 2023, an 8.48% increase.

Special Recreation

For the current fiscal year, Lake County provided the Park District with a \$931,842 extension. Staff are recommending levying \$990,000 for 2023, a 6.24% increase.

Overall, the Park District had a \$12.3 million extension for the current fiscal year. Staff are recommending levying \$13.2 million for 2023, for a 7.94% change to the Truth in Taxation (5% accounts for the CPI, and the remaining is new growth).

Commissioner Ruttenbeg would like to know how the recommended tax levy will impact homeowners.

Director Peters reported that the average homeowner barring no changes were made to their property, will see a 5% increase.

Commissioner Bernstein would like staff to contact the City of Highland Park and School Districts to see how much they are levying. He recommends that the Park District aligns its tax levy amounts with our sister governments. He is uncomfortable with the recommended tax levy request for 2023 since it's higher than what has been levied historically. He does not support an 8% property tax increase going toward the Park District, he would like the total increase to be closer to 5%.

Commissioner Ruttenberg would like staff to present a graph showcasing the percentages of tax levies over the past ten years at the November 9 Workshop Meeting. He would also like staff to present how a 3%, 4%, and 5% tax levy would impact the capital plan over the next ten years.

Vice President Freeman would like staff to present a sample of a property tax bill assuming the average home is \$600,000 and the impacts of the recommended tax levy at the November 9 Workshop Meeting.

Mr. Lewis reported that the percentage calculation in the Truth in Taxation publication is based on operations, so the Park District's bond and interest levy will only increase by 1.37%. Furthermore, the District can keep the Truth in Taxation below 6% by decreasing the amount being captured from new growth. As you poll the other units of government, please keep in mind the City of Highland Park is not subject to these limitations because they are a home rule unit of government. As a result, the City's Tax levy will most likely be less than 5%, however, their sales tax revenues are increasing.

Supplemental Property Tax Levy for the Debt Service Fund

Mr. Lewis reported that the debt service fund has a separate tax levy outside of the operating funds to pay off the debt service on the District's general obligation bond. The amount is determined at the time the bonds are sold. If the Park Board of Commissioners were to approve a 5% tax levy on the CPI, the subsequent years would increase by an additional 1.5% of the amount able to be levied. Furthermore, a Supplemental Ordinance would not be needed next year since the CPI is higher than the amount assumed when the bonds were structured and sold.

Commissioner Bernstein would like to know if the Supplemental Property Tax Levy was planned.

Mr. Lewis reported that the recommended Supplemental Property Tax Levy was planned to amortize growth.

Commissioner Bernstein would like to know if the District can request more money in 2024 for the bond issuance.

Mr. Lewis reported that the District has the ability to borrow more money in 2024.

Commissioner Bernstein would like to know if having the ability to borrow more money in 2024 impacts the District's ten-year funding model.

Executive Director Romes reported that while the District has the ability to borrow more, inflation counteracts the extra dollars borrowed.

Director Peters reported that staff will be requesting approval of the Supplemental Property Tax Levy Ordinance for the Debt Service Fund in December from the Park Board of Commissioners.

Commissioner Bernstein would like to know if the District increases the Supplemental Property Tax Levy by \$24,000 how much of an impact it would have on taxpayers.

Mr. Lewis reported that the impact on taxpayers would be minimal if the Park District increases the Supplemental Property Tax Levy by \$24,000, as the \$24,000 is spread across all homeowners in Highland Park.

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As for the state of the economy, Mr. Lewis reported that CPI is transitory, due to inflation. Interest rates have been rising above 2% since January of 2022 which is negatively impacting the market (stocks, bonds, and housing) and the consumer. The two-year rate is substantially higher than the ten-year rate, so a recession is coming.

Commissioner Bernstein reported that it has been a long time since the Park District faced recessionary times, however, during those times there was an increase in demand since Park District programs and services are more affordable than private competitors.

Director Peters reported that there are two Finance Committee Meetings in November, Tuesday, November 8, and Tuesday, November 15 at 8:00 a.m.

October 2022 Bid Results and Equipment Purchases

A. *2023 Sunset Valley Golf Club Cart Path Bridge Replacement and Removal*

Director Smith reminded the Finance Committee that this is a two-year project, and we are currently in the second phase of the project. During the first phase, the District replaced bridges 1, 7, and 9 and removed bridge 8. In this phase, the District will replace bridges 2, 3, and 5, and remove bridge 6. The District received six bids for the second phase of the project, and while Integral Construction, Inc was the lowest bidder, they failed to disclose all known violations so staff and the District's legal counsel are recommending the bid be awarded to Schaeffges Brothers, Inc. This project is spanning over two budget years. \$25,000 was budgeted this year and \$775,000 is budgeted for 2023. Overall, the project will come in under budget by \$9,862. If approved by the Park Board at the October 26 Regular Meeting, construction will begin in December and the project will be substantially completed in March of 2023.

Staff received consensus from the Finance Committee Meeting to place the contract from Schaeffges Brothers, Inc. on the consent agenda at the October 26 Regular Meeting.

B. *Parks and Golf Maintenance Equipment Purchas*

Director Voss reported that the District's six riding mowers which were purchased in 2014 need to be replaced as they have met their useful life (typically 5 years). Currently, the 2022 capital plan includes the replacement of six mowers. After considerable evaluation of current mowers, district-wide maintenance needs, and the consideration of battery-powered mowers Staff is recommending the purchase of two diesel Kubota ZD1211-3-60 60" commercial zero turn mowers and two electric Gravely EV Pro Turn 60 mowers to meet the current needs of the District. The Kubota ZD1211 mowers and Gravely EV mowers are available through Sourcewell, a joint purchasing cooperative program for state, local, and city governments. The anticipated amount over budget is a little over \$10,000.

Staff received consensus from the Finance Committee Meeting to place the recommended parks equipment purchases on the consent agenda at the October 26 Regular Meeting.

Manager Ochs reported that staff would like to purchase one John Deere 2700 E Cut Hybrid Triplex Mower and one Toro Procore 648s through the Sourcewell Purchasing contract. This is a joint purchasing cooperative for state, local, and city governments. This program offers substantial savings through volume purchasing by a bid process. The total cost for both mowers is \$95,918.56. There is \$100,000 in the 2023 capital budget.

Staff received consensus from the Finance Committee Meeting to place the recommended golf maintenance equipment purchases on the consent agenda at the October 26 Regular Meeting.

C. *Fitness Equipment for the Recreation Center of Highland Park*

Assistant Director Murrin reported that in 2016 the District purchased four upright fitness bikes and four recumbent fitness bikes. The useful life for both bikes is 5 – 7 years. To minimize repair expenses staff would like to purchase four Life Fitness upright bikes and four Life Fitness recumbent bikes through a Sourcewell joint purchasing agreement of \$35,197.20. The total cost includes trade-in, delivery, freight, and installation.

Staff received consensus from the Finance Committee Meeting to place the recommended fitness equipment purchases on the consent agenda at the October 26 Regular Meeting.

Purchasing Policy Update

Director Smith reported that the state legislature recently passed Senate Bill 3050 / Public Act 102-0999 which increased the bid limit under the Park District Code from \$25,000 to \$30,000. The Park District's Purchasing Policy must be updated to allow for this increase to take effect. Staff has worked with Park District Legal Counsel on changes to reflect this increase as well as general updates to the policy.

Staff received consensus from the Finance Committee Meeting to place the recommended changes to the Purchasing Policy on the consent agenda at the October 26 Regular Meeting, however, if any Commissioners have questions or concerns the item will be placed under Unfinished Business.

Naming Rights Policy

Assistant Director Maliszewski reported that the District's Naming Rights Policy is divided into three categories: civic naming rights, philanthropic naming rights, and corporate naming rights. Currently, the philanthropic naming rights category allows park property to be named after individuals or groups who have made substantial philanthropic donations or substantial contributions toward the development of a park property. One of the thresholds for considering the naming of a park, building, or facility includes a contribution of a minimum of 60% of the capital construction cost associated with development. Staff and the Park District's legal counsel are recommending that the current percentage be removed so that the Park Board of Commissioners can agree upon a dollar amount based on each project's capital construction costs.

Commissioner Bernstein would like this discussed at a future Policy Committee Meeting.

Executive Director Romes reported that at the very least, staff are requesting that the language in the philanthropic category be updated and approved at the October 26 Regular Board Meeting, since the current language is hindering the Athletic Fields Fund Raising Campaign.

Commissioner Ruttenberg would like a copy of the Naming Rights Policy shared with the Park Board of Commissioners.

Commissioner Bernstein requested that the recommended changes for the philanthropic category be placed under Unfinished Business at the October 26 Regular Meeting and that the full policy be reviewed at a future Policy Committee Meeting.

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Other Business

None.

Open to the Public to Address the Board

None.

Adjournment

The meeting adjourned at 9:36 a.m.

Respectfully submitted,

Roxanne Hejnowski, Assistant Secretary



Memorandum

To: Finance Committee

From: Mari-Lynn Peters, Director of Finance; Brian Romes, Executive Director

Date: November 30, 2022

Subject: **2023 Budget Presentation**

Summary

Staff will review the Proposed 2023 Budget.



Memorandum

To: Finance Committee

From: Mari-Lynn Peters, Director of Finance; Brian Romes, Executive Director

Date: November 29, 2022

Subject: **Cost Center Projections Presentation**

Summary

Staff will review the Cost Center Projections.