

**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

Roxanne Hejnowski, Assistant Secretary