MINUTES OF FINANCE COMMITTEE MEETING

DATE: April 12, 2017 **TIME:** 4:00 p.m.
PLACE: Geneva Community Center

PRESENT: John Frankenthal, Peggy Condon, Sheavoun Lambillotte, Christy Powell, Nicole Vickers, Larry Gabriel and Trish Burns

GUESTS: None

SUBJECT MATTER DISCUSSED:
Christy Powell began the meeting discussing the agenda and what would be covered. She stated that she will provide an overall review of the budget and then department heads would provide further highlights on their budgets.

The committee was presented with a balanced budget of $12,270,433 excluding the Capital Fund. The Capital Fund budget included revenues of $754,286 and expenditures of $2,905,372. Ms. Powell stated the focus of the budget continues to be to provide quality parks, programs, and facilities at a high level while continuing to look for cost saving efficiencies in our operations. The entire budget, excluding the capital fund, increased 1.8% over the previous year.

Ms. Powell covered the consolidated revenues by type as well as how it compared to the prior year. She stated that tax revenue makes up 59% of the District's consolidated revenue. Ms. Powell reiterated the District's goal to continue to look for additional revenue sources to reduce the reliance on real estate taxes.

Ms. Powell stated real estate tax revenue will increase 1.04% and is a function of the amount allocated under tax cap legislation. Ms. Powell stated that the District has seen its third year of increase, 6.6%, in the District's Equalized Assessed Valuation (EAV), after five straight years of prior declines. This occurred as finally the recovery in the real estate market is being reflected in the EAV. Commissioner Frankenthal asked if training could be provided to the board regarding the EAV, CPI and its overall impact on the District.

Ms. Powell reviewed program/facility revenue and stated overall it is budgeted to increase 2.64%. Ms. Powell stated that this increase was misleading as this increase is directly attributed to the before and after school revenue and expense realignment to actual which provides the same overall net revenue as the prior year. Without this increase, the District's program/facility revenue declines .7%. Program/facility revenue has increased in areas such as: Playhouse 38, mini golf, in-service day programs, gymnastics, sports camps, sunset pool concessions, facility rentals, and SPRC adult leagues. Conversely, there are program/facility areas that have shown declines such as: both fitness centers, dance, fitness center programs, preschool, SPRC general athletics, SPRC nursery, swim lessons, and martial arts.

Fitness center revenue for both the Stephen D. Persinger Recreation Center and Sunset Fitness Center is budgeted -3.9% and -2.9% lower due to the decline seen in membership revenue. A discussion was had regarding plans to reverse this trend. Ms. Lambillotte stated that a consultant had been hired to review both fitness centers and he has many new ideas that she feels will work for the District.

Ms. Powell stated that summer camp revenue will remain similar to last year. Sunset Pool revenue decreased -1.2%, Mill Creek Pool revenue decreased -2%, and swim lessons decreased -5.5% to better reflect actual revenue from the prior year. Conversely, the Sunset Pool Concessions budget increased 7%, mini golf revenue increased 9% and Playhouse 38 revenue increased 18% to better reflect actual revenue from the prior year.

Ms. Powell reviewed investment income and stated investment income is budgeted $10,000 higher as the District will once again purchase its own Limited Bonds resulting in an increase in interest income. Interest rates are expected to rise as the Federal Reserve recently increased rates 25bps to 1% with two more rate increases in the near future expected.

There is no grant revenue budgeted in 2017-18, however, the District will continue to apply for grant monies for any grant eligible projects. Replacement taxes are budgeted the same as the prior year. This revenue source continues to be uncertain with the State of Illinois budget troubles. Ms. Powell stated that once again the District will reduce the tax levies on various special funds that have accumulated fund balance above amounts recommended per the District's Fund Balance Policy (>30% of annual expenditures). The Liability Fund, IMRF Fund and Social Security Fund will all see reduced real estate tax levies as fund balance will be utilized.

Ms. Powell reviewed consolidated expenditures and compared them to the 2016-17 budget. Salaries and wages show a very small overall increase of .12%. The average salary increase for full-time employees was 2.46%. Part of the reason for the small increase in overall salaries is a result of employee turnover in various areas whereby higher salaried employees were replaced with lower salaried employees. In addition we have seen reductions in part-time salaries in program areas with declining revenues, such as, the two fitness centers, dance, youth general recreation, adult general recreation and the SPRC nursery.

Ms. Powell went over the consolidated budget for contractual services which increased 5.09%. Ms. Powell stated this is misleading again because of the increase in budget of the kidszone program. Without the kidszone budget increase contractual services would have increased .6%. Health insurance saw a small decrease of -.6% as compared to the prior year increase of 6.24%. There was no increase in health insurance premiums from PDRMA for 2017. In addition, many employees have opted into the less expensive HMO plan which generated savings. The District will continue to participate in PDRMA's new Health Savings Account (HSA) program, whereby, Districts' can fund part of their health costs through Health Savings Accounts paired with a higher deductible. This past year the District saved $27k as a result of participating in the HSA plan. Electric utilities continue to see increases annually and in 2017, we see another increase of 4.6%. Water utilities also see an increase of 6%. The budget for natural gas expense has decreased -11% from the prior year to better match budget to actual expense. The actual expense of natural gas is estimated to stay flat as the District has locked into a two year gas contract which expires in 2018 to take advantage of record lows in natural gas pricing. A discussion was had regarding the contract for natural gas and how that commodity is competitively bid thru Seven Utility which is sponsored by IPRA.

The overall budget for commodities decreased -.15%. The majority of commodity budgets stayed the same.

Ms. Powell reviewed the consolidated budget for maintenance, capital equipment and debt service which has increased 3.35% as the capital fund expenditure budget increased in the operating funds. Ms. Powell reviewed the list of capital projects included, such as, $25,000 for contracted tree removals; $10,000 for in-house vending machines; $7,500 for concrete apron extensions at the Wheeler pavilions; $6,500 for ice rink liners and materials; $4,300 for Sunset Pool landscape updates, $4,000 for geese control at Island Park; $2,000 for mosquito control at Island Park; and contracted landscape clean up at nine different sites. A discussion was had regarding why the District contracts out its landscaping at some sites. Ms. Lambillotte stated that there is not enough staff available during the three months of the year when the landscape project needs are high. A discussion was had about tree removal and if there was a particular area in need of the most work. Mr. Gabriel stated that there are quite a few parks with mature trees that may be dead and are too big for staff to climb and remove safely.

Ms. Powell noted that overall debt service payments on the two Alternative Revenue Bonds and two GO Bonds increased .79% from the prior year and is a function of the debt repayment schedules. She noted that we have levied our last year for the 2012B GO Bond Issue and that next year's tax levy for bond and interest payments will decrease the rate.

Ms. Powell reviewed the special fund revenue sources and explained that the majority of revenue for these funds comes from real estate taxes. As in prior years, special funds with an accumulated fund balance above the fund balance policy will utilize excess fund balance that has accumulated in the fund. This year, the Liability Fund, IMRF Fund and Social Security Fund will utilize fund balance and reduce the amount of real estate taxes allocated to the fund.

Ms. Powell discussed the expenditures associated with the special funds. The Liability insurance budget will remain the same. Liability insurance is budgeted higher at 1.31% as the District saw an increase in its liability insurance premium passed on from the District's insurance provider PDRMA. The budget for unemployment expense decreased -10% as the District does not anticipate any large claims to be paid. The District pays actual unemployment claim costs versus a tax based on a percentage of payroll. This method has saved the District tens of thousands of dollars each year as the District has very few unemployment claims.

Ms. Powell reviewed the IMRF Fund and noted expenditures will decrease -.67%. The expenditure is lower this budget year and is adjusted with changes in pensionable salaries and wages. The IMRF rate charged to the District decreased from 10.62% to 10.25%. The IMRF rate charged to the District fluctuates from year to year and is greatly influenced by the wages, age, and years of service of its employees as well as the return on investments IMRF is yielding.

The Audit Fund was reviewed and the budget will increase 2.82% from the prior year. The audit expense is based on the three year contract approved by the Board with the firm Lauterbach and Amen.

Ms. Powell reviewed the Social Security Fund and noted a budget decrease of -1.23%. The Social Security expenditure budget is adjusted and follows changes in salaries and wage expenses.

Ms. Powell reviewed the Special Recreation Association (SRA) Fund and noted the total expenditure budget will remain the same as the prior year. The District's budget for inclusion services remained unchanged. A discussion was had regarding the impact the change in the preschool program, separating from the school district, may have on inclusion costs. Ms. Vickers stated she did not feel it would have much impact as any participant having special needs would most likely seek those services thru the school district as the cost of tuition is waived.

Program payments to FVSRA decreased -.81% from the prior year even though FVSRA did not change it's membership fee. The district's share of membership fee is based on the various communities EAV and because the District's EAV did not improve as much as other participating districts the District had a lower share of the fee.

The District budgets capital expenditures for ADA accessibility improvements at various parks and facilities in the SRA Fund. In 2017-18 expenditures are budgeted 2% higher as compared to the prior year. This expense fluctuates from year to year depending on the playground replacements and ADA improvements budgeted in the Capital Improvement Plan (CIP).

Ms. Powell reviewed the Bond & Interest Fund and noted that overall it increased 1.17% and is a function of the debt service repayment schedules which includes one General Obligation Bond and one Limited Bond.

Ms. Powell reviewed the larger revenue sources for the CIP. Limited Bonds are not anticipated to be issued in 2017-18. These bonds are typically issued on a biennial basis. The annual audit transfer of $550,000 funds a large majority of the capital improvement fund. This amount has decreased over the past year as the District's net surplus in the General and Recreation Fund at year end have decreased. The net surplus is yielded from cost savings in the General Fund and Recreation Fund as well as net revenue generated from various recreation programs and facilities.

The District anticipates continued improvement in land cash revenue. In years 2010 thru 2014 the District received $0-$4k per year. Beginning in 2015 the District saw an increase in housing development projects receiving approximately $57k in 2015, $259k in 2016 and an estimated $190k in 2017. There is an increase in budget for interest income for the upcoming year as the District purchases its own limited bonds and expects interest rates to continue to rise.

Ms. Powell went over the larger projects budgeted in 2017-18 CIP. She stated that we have a large amount of capital projects scheduled this year but a few of them are carry overs from the prior year and will be re-budgeted. For example, the Peck Farm parking lot expansion and restroom addition was re-budgeted as the payout will occur in FY17-18. The tennis court project with the high school has been re-budgeted as Mr. Gabriel and school district staff continue to assess the need for the project based on the condition of the courts. Ms. Powell highlighted the following projects: $625,000 for capital improvements to Peck Farm Park this project includes $550,000 for the redesign of the parking lot and additional restroom, and $75,000 for maintenance and repairs; $450,000 for the Mill Creek Pool sprayground addition; $440,000 for the renovation of Esping, Arbizzani and Lovett parks and playgrounds; $225,000 for the Sunset ballfield renovation of which $20,000 will be funded with donations in honor of Bob Cox and $10,000 for shade structures from Geneva Baseball Association; $120,000 for the resurfacing of tennis courts of which approximately $100,000 will be for the high school tennis courts, this is a 50/50 shared project with the school; $128,139 for the replacement of various District vehicles and equipment; $88,000 for various parking lot improvements; $72,000 for roof repairs of which $60,000 is for the wheeler maintenance facility roof.

A discussion was had if there was ever a year without a playground/park replacement or if we were constantly rotating and will always have. Ms. Lambillotte stated that with 50 parks and a useful life of 15 years that equates to the consistent renovation of approximately three parks a year.

Department heads gave a quick summary of their budgets. Ms. Vickers stated that although there was not a lot of change in the overall recreation budget there was a lot of time and analysis that went into the budget to ensure that goals for programs were challenging but realistic. Ms. Vickers pointed out that with the separation of the school district from the preschool program we will need to hire a part-time employee to answer phones, and monitor the front entrance.

Discussion was had regarding how we evaluate if a program has seen the end of its useful life. Ms. Lambillotte stated that staff is always evaluating programs in that regard but there are currently no programs she sees ending. Ms. Lambillotte stated the Adult Seniors program will be rebranded and will instead become part of the Adult Programming area. Discussion was had regarding the trend in many of our programs whereby participants are dropping out to be involved in travel teams or more private elite associations. Ms. Vickers stated that where it is possible they have introduced programs to meet those needs, such as boys travel basketball. Ms. Lambillotte stated that while we will continue to meet the needs of providing general, introductory programming we will also seek those opportunities to provide more competitive, elite programs.

Ms. Burns stated there was a small increase in her budget due to the addition of the new bathroom at Peck Farm. She stated that camps will remain similar to last year in size but they do see an increase in birthday party rentals. A discussion was had regarding future endeavors at Peck Farm. Ms. Burns stated they will be looking at doing more STEM based programming to meet the needs of middle school students. Ms. Burns stated that school field trips to Peck Farm have been on the decline so plans are being made to provide mobile programming whereby staff travel to the schools to provide the programs. In the future she is hoping for a nature based preschool program. A discussion was had regarding the Community Garden and the number of plots remaining. Ms. Burns, stated there were 25 plots remaining and she was reaching out to other groups to fill. The vacancies are a result of Delnor no longer renting the plots. Discussion was had regarding adult programming at Peck Farm and Ms. Burns stated that the demand in that area has remained strong with the LFE program having very high participation.

Mr. Gabriel discussed the decrease in seasonal salaries of $5,000 as not because they no longer needed the staff but a result of not having enough qualified applicants applying for these jobs. Mr. Gabriel discussed the water utility accounts and how they budget conservatively as they are never sure when they will have a drought summer or a cold winter whereby the ice rinks will need water. Mr. Gabriel discussed while the training and conferences budget remained consistent they were planning on taking advantage of as many scholarships and IPRA discounted trainings for staff development. Staff that receive certifications in areas in turn will train other staff on best practices. Discussion was had if staff received any monetary award or promotion for earning a certification. Ms. Lambillotte stated no monetary award but they do receive the benefit of attending the training at no cost and the enhanced career development. With these certifications there is always the opportunity to move up from parks level one to a parks level two. Mr. Gabriel highlighted the increase in refuse expense as the District will be adding dumpsters for landscape waste. Mr. Gabriel stated grounds maintenance went up $5,000 due to a price increase, however, the District will rebid this service to ensure it remains competitive. Mr. Gabriel went over the list of capital projects in the Corporate Fund. Mr. Gabriel highlighted the use of bicycles by seasonal staff to travel to park sites to complete bathroom cleaning duties. Mr. Gabriel also discussed the new bike repair stations that will be available this spring at Island and Peck Farm. Mr. Gabriel discussed the new honey bee gardens and the "Oaktober" program whereby oak trees are planted in October. Finally, Mr. Gabriel mentioned that in the future they are hoping to construct an American ninja warrior theme park.

Ms. Lambillotte highlighted the cost savings generated by the Parks Department completing many projects in-house versus contracting out. Examples of this include: the prairie plantings at Peck Farm North which has proved to be much healthier than the contracted plantings at Peck Farm South; replacement of the bridge on the Fox River trail; renovation of disc golf tees and holes; construction of Hawks Hollow chairs and chess board pieces out of natural materials; creation of a bike trail map. Ms. Lambillotte stated while these projects have had great cost savings to the District it must ensure that these additional projects don't get in the way of maintaining the parks at a high level. Ms. Lambillotte stated in the coming years a high priority would be the in-house maintenance of natural areas and removal of invasive species. She stated the Peterson property development would need to be incorporated into the Peck Farm Master Plan. Ms. Lambillotte highlighted PH38 and its successful turn-around. She highlighted that the fitness centers remain strong but that next year there would be an increased focus on growth in revenue. She highlighted the focus on improving the net revenue for the pool concessions and pool budgets. In addition, staff would focus on increasing cleanliness at the pool. She discussed taking over the vending machines in-house and the possibility of moving from four brochures per year to three. If we move to three brochures that will offer the opportunity to provide a few smaller brochures concentrated on specific programming areas.

With no further questions or discussions, the committee recommended submittal of the budget to the entire board at the April 17, 2017 Board Meeting. The meeting was adjourned at 5:45 pm.

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Secretary

Submitted By: Sheavoun Lambillotte / Christy Powell