

MINUTES OF FINANCE COMMITTEE MEETING

DATE: April 12, 2023

TIME: 4:00pm – 5:00pm

PLACE: Sunset Community Center

PRESENT: Commissioner Cullen, President Frankenthal, Nicole Vickers, Christy Powell, Elliott Bortner, Carl Gorra, and Hannah Sterricker

GUESTS: None

SUBJECT MATTER DISCUSSED:

President Frankenthal called the meeting to order and roll call was taken. Ms. Powell discussed the meeting's 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 of their budgets.

The committee was presented with a balanced budget of \$13,975,419 excluding the Capital Fund. This is an increase over last year's budget of 7.79%. The Capital Fund budget included revenues of \$2,586,000 and expenditures of \$4,933,346. Ms. Powell stated that 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.

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 49.2% of the District's consolidated revenue and will fluctuate from year to year depending on if grants or bonds are budgeted. President Frankenthal asked if these increases are consistent with historical increases. Ms. Powell answered yes.

Ms. Powell stated real estate tax revenue will increase 4.4% and is a function of the amount allocated under tax cap legislation. Ms. Powell stated that the District has seen its ninth year of increase, 5.6% in 2022, in the District's Equalized Assessed Valuation (EAV), after five straight years of prior declines (2009-2013).

Ms. Powell reviewed program/facility revenue and stated overall it is budgeted to increase 7.7%, as the District resumes to more normal programming and facility revenue following the Covid-19 pandemic. Program and facilities that saw the largest increase include: before and after school program, sunset pool, preschool/toddler, camps, SPRC, baseball/softball, general recreation, dance, tumbling/gymnastics/cheerleading and mini golf. Additional revenue was added this year for pickleball as that program continues to grow. Executive Director Vickers added that pickleball has been included in general athletics previously and with its immense growth it needed to be separated out. Nursery fees at SPRC will no longer be budgeted as that space will be repurposed in the coming year.

The pool revenue budget improved 8.3% with Sunset Pool revenue increasing 12.89% due to an expected rise in pass sales. Executive Director Vickers shared that in addition to the increase in pass sales, fees have also been increased. There was little change in Mill Creek Pool revenue which decreased .19%. Swim lessons increased 2% as programs are anticipated to run at an increased level. Mini golf revenue increased 10.2% with a rise in daily fees. Playhouse 38 revenue is increasing 4% with higher ticket sales and concessions.

Fitness center revenue for the Sunset Fitness Center budgeted an increase of 4.85% and the SPRC an increase of 2.79% as operations return to a more normal pre-pandemic level.

Ms. Powell reviewed investment income and stated investment income is budgeted for an increase due to the Federal Reserve continuing to increase interest rates with more hikes expected in the future. The District once again purchased its own Limited Bonds in FY23 which earns an interest rate of 4.75% over the next two years.

Grant revenue is budgeted in the five-year Capital Improvement Plan (CIP) as the District received notice of a \$600,000 OSLAD grant award for Mill Creek Community Park improvements which includes the addition of a universal playground and pickleball courts. The District looks to investigate future IL Parc Grant funding for the Sunset Community Center renovation. The District continues to look for available grant monies for grant eligible projects. President Frankenthal asked, how many grants is the district eligible for annually. Ms. Powell stated that there isn't a restriction. Replacement Taxes are budgeted to increase 72% based on actual receipts over the past few years. Replacement Taxes can fluctuate from year to year depending on the State of Illinois receipts and allocation to local governments. 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. This year's budget calls for the use of fund balance and a reduced tax levy in the Liability Fund, IMRF Fund, Audit Fund and Special Recreation Fund.

Ms. Powell reviewed consolidated expenditures and compared them to the 2022-23 budget. Salaries and wages show an overall increase of 6.2% as there was a 7.7% increase in programs/facilities revenue. The average salary increase for full-time employees totaled 4.3% as the District focused on updating full-time salaries and expansion of wage ranges in light of the following economic/market conditions: compression issues caused by the increase in the Illinois minimum wage to \$15 per hour in 2025, a record high 2022 and 2021 consumer price index (6.5% and 7%). The impact of the minimum wage increase is projected in the three-year operating budget in 2024 and 2025. President Frankenthal asked if there is any inkling that the state will go higher with the minimum wage increase. Executive Director Vickers stated that the future is unknown at this time.

Ms. Powell went over the consolidated budget for contractual services which increased a small amount .004% with most accounts having small changes in budget. The majority of increase occurred in public information advertising and printing as more advertising dollars are proposed to be used in the next fiscal year. There was also an increase in the maintenance agreement budgets as the District moves from purchasing computer capital equipment to utilizing the "cloud" hosted software for some of its applications (e.g., TCP, MSI and M365). In addition, there is an increase in credit card processing fees as the district sees credit card on-line usage continuing to increase. Additional administrative expenses are budgeted for a new bonus employee recognition program. Furthermore, entry fees were increased in gymnastics and dance as the district has increased the number of anticipated meets.

The health insurance budget will see a very small increase of .5% despite an average 5% increase in health insurance rate premiums from PDRMA Health, as the District more closely aligns budget with actual and as new employees elect different coverage options. 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 \$20,000 as a result of participating in the HSA plan.

Electric, water and natural gas increased/decreased overall -4.8%, 2.9%, and -15.6% respectively to better align actual to budget. The actual expense of natural gas continues to stay lower than market as the District locked into a contract with lower pricing thru October 2024 prior to the increase in the price of natural gas. President Frankenthal asked if there is a way we can extend the contract. Ms. Powell stated that as soon as the market goes down they will renegotiate the contract.

The overall budget for commodities increased 12.27%. The majority of commodity budgets saw no change or a small increase. There was a large increase in gas and diesel fuel as the economy continues to experience higher

than average fuel prices. In addition, there was a large increase in clothing expense as programs expand and staffing does as well.

Ms. Powell reviewed the consolidated budget for maintenance and capital equipment which increased 5.7%. The increase is due to the re-budgeting of a large capital project in the SRA Fund for a universal playground. Without this project included in the comparison, the overall budget for maintenance and capital increased 1.3%. The majority of maintenance and capital equipment budgets stayed the same or decreased. The grounds maintenance contract lessened 9% as the maintenance needs are fewer this coming year and more park maintenance staff are carrying out these tasks. Commissioner Cullen asked if the ground maintenance lowered due to the spring landscape contract. Supt. of Parks and Properties Gorra stated it was. This is because pruning and a few parks were eliminated from the contract and will be done in house.

Ms. Powell stated very few capital projects are budgeted in the General and Recreation Fund. The District will once again include funds in the General Fund for necessary expenditures, such as, contracted spring landscape, fall tree removal and pruning, park signs, tree/stump removals, fence repairs, etc. Funds are budgeted in the Recreation Fund for emergency use.

The overall budget for debt service decreased .05%. Currently the District has one Alternative Revenue Bond that is abated annually from the real estate tax levy and funded thru the District's operating funds. The District has one limited bond issue paid from the Bond and Interest Fund.

Ms. Powell reviewed the special funds 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, Audit Fund and Special Recreation Fund will utilize fund balance and reduce the amount of real estate taxes allocated to this fund.

Ms. Powell discussed the expenditures associated with the special funds. Liability insurance is budgeted 7.5% lower as the District's 2023 member contribution to PDRMA for liability insurance decreased 10.6%. The budget for unemployment expense decreased 37.5% as it is anticipated the expense will return to more normal, pre-pandemic levels. The District pays actual unemployment claim costs versus a tax based on a percentage of payroll. This method normally saves the District tens of thousands of dollars each year as the District under normal circumstances has very few unemployment claims.

Ms. Powell reviewed the IMRF Fund. IMRF expenditures are budgeted lower 23.3% from the prior year. The IMRF employer contribution rate decreased from 9.97% in 2021 to 7% in 2022 to 4.27% in 2023. The IMRF rate charged to the District fluctuates from year to year and is greatly influenced by the return on investments the fund is yielding, pensionable salaries and wages, age and years of service of its employees. With 2022 showing investment losses we expect the IMRF rate to increase in 2024.

The Audit Fund was reviewed and there is no change in budget. The audit expense is based on the three-year contract approved by the Board with the firm Lauterbach and Amen. This three-year contract ends in FY25.

Ms. Powell reviewed the Social Security Fund and noted a budget increase of 8.3% and is adjusted with changes in salaries & wages expense. Anticipating a return to more normal program operations coupled with an increase in the minimum wage, has increased this budget.

Ms. Powell reviewed the Special Recreation Association (SRA) Fund. This year capital expenditures are up 6.98% as the District has re-budgeted for a universal playground. In addition, the District budgets ADA accessibility improvements at various parks and playgrounds. This expense fluctuates from year to year depending on the playground replacements and ADA improvements budgeted in the Capital Improvement Plan

(CIP) as well as the amount of funds available in the SRA fund. The District will continue to implement ADA improvements to its parks and facilities until all reasonable improvements are made according to the ADA transition plan.

The second largest expenditure from this fund is the program payment to the Fox Valley Special Recreation Association (FVSRA). Program payments to FVSRA increased 1.9% from the prior year. The District's share of membership fee is based on all of the participating communities EAV. The District's inclusion services will remain the same as the prior year's budget as resident requests for these services have remained the same.

Ms. Powell reviewed the Bond & Interest Fund and noted that overall it increased 5% and is based on the Limited Bond repayment schedule.

Ms. Powell reviewed the larger revenue sources for the CIP. Revenues for this fund are made up of biennial issued Limited Bond Proceeds, transfers of savings from operating funds from the previous year (annual audit transfer), land cash revenue, donations, grant revenue, and investment income.

The District is a recipient of a \$600K OSLAD grant from the State of Illinois to help pay for \$1.9M in project costs for the universal playground, pickleball courts, and Mill Creek park improvements.

Limited Bonds are not budgeted to be received in the 2024 fiscal year. The District normally issues Limited Bonds on a biennial basis in accordance with Illinois tax cap legislation which allows District's to issue limited bonds in an amount equal to their annual allotted debt service extension base plus annual increases in the consumer price index (CPI).

The annual audit transfer budget increased to a more normalized, pre-pandemic level. The audit transfer, is budgeted in FY24 at \$1.8M up from the \$1.7M budgeted in FY23. This increase is due to the decreasing debt service payment on the Series 2014 Alternative Revenue Bond which is divided equally between the General Fund and Recreation Fund. This Bond will be paid off in FY2027. With the reduced debt service additional funds are available to be dedicated to the annual audit transfer. The annual audit transfer funds a large majority of the capital improvement fund. The annual audit transfer is net surplus 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 \$50,000 in land cash revenue for various residential development projects. The budget for interest income has increased as investment rates have increased.

Ms. Powell stated projects are further outlined within the CIP document. She reviewed a listing of some of the larger capital projects: \$150K for the repurpose of the SPRC indoor playground; \$700K for various Sunset Pool improvements including the shade structure replacement and sand filter replacement; \$650K for the addition of pickleball courts (this project is partially funded by the \$600K OSLAD grant award) and \$60K for the renovation of tennis courts at Sterling Manor; \$170K for solar lighting and electric car charging stations; \$500K for the universal playground (funded thru the Special Recreation Fund) and \$600K for the Jaycee Park renovation and Mill Creek Park improvements including the rain garden and bathrooms (this project is partially funded by the \$600K OSLAD grant award), \$300K for Garden Club Park which is a project funded over two fiscal years; \$325K for the renovation of the Mini Golf Hut; \$173K for vehicles/equipment replacement, \$139K for computer/office equipment replacement and software upgrades. President Frankenthal asked if the sand filters at Sunset Pool are the bulk of that cost. Executive Director Vickers stated that the sand filters are the largest expense of many projects.

Department heads gave a quick summary of their budgets. Mr. Gorra stated that overtime wages decreased 21% compared to last year. This is because of staff changes, scheduling changes and hiring part time maintenance to

decrease overtime hours. Part time maintenance has gone up 17%. Administrative expenses have gone up 233% from the prior year. This reflects the employee recognition program that has yet to be rolled out. Pest Control is up 87%. This has gone up due to condensing the pest control line items into one. Gas and diesel fuel are very difficult to predict but, are up 10%. This will be the first year with two electric mowers and one electric van which will help keep fuel down. President Frankenthal asked if we have our own fuel tanks. Mr. Gorra responded yes. Oil and lubricants are up 66%. The reasoning for this is because of the age of the vehicles and the number of oil changes to get all vehicles back on track. Maintenance, parts, and supplies is up 25%. Mr. Gorra shared that these two line items go hand in hand. Commissioner Cullen asked which vehicle is the oldest and most expensive to keep. Mr. Gorra stated that the diesel vehicles and the recreation van are the most expensive. Executive Director Vickers also shared that although the recreation van is old and needs to be replaced the use of that van is very minimal. The goal is to get an electrical vehicle but, at the moment the van is not unsafe and provides the numbers of seats and storage that meets the needs of the Recreation Department. President Frankenthal asked what percentage of vehicles are diesel. Mr. Gorra stated that about half of the utility vehicles and 40% of the trucks are diesel. He also shared that electric is where the district wants to head.

Mr. Gorra shared that a few more flower beds are being added raising plants and seeds to 25%. Chemical supplies are up 100% which includes dandelion chemicals. Environmental weed control products will be introduced in the parks and these products cost more. Fire extinguishers is up 213%. This is due to condensing line items, as well as, a staff member who has inventoried every fire extinguisher and has put them on a rotation for testing, charging and replacing. President Frankenthal asked who completes the fire extinguisher inspection. Mr. Gorra replied that Allegiant is hired for inspections.

Mr. Gorra shared that \$173,000 is budgeted for the fleet capital. There are seven pieces of equipment that will be looked at over the course of the year including; two Ford Mavericks, one crew cab, a couple utility vehicles and one zero turn mower. President Frankenthal asked if we had any vehicles on propane. Mr. Gorra responded there are not.

Mr. Bortner shared that Camp Coyote has had some very nice growth over the past few years and the revenue has been raised 49%. The Kane County Certified Naturalist program has performed very well and revenue has been increased 55%. Marketing revenue has been slightly increased. Laura Sprague has done a fantastic job and that is expected to continue. President Frankenthal asked if this budget includes the design work that is completed for the brochure. Executive Director Vickers stated that yes it does, and it is necessary. President Frankenthal then asked if we have been able to track the success Laura has had. Executive Director Vickers stated that she has and will be providing a report to the board, in the coming months.

Youth Programs have been performing very well due mostly to the STEAM programs and has increased 20%. Mr. Bortner reported that Playhouse 38 has a smaller increase and has been brought closer to a break-even percentage. There are new events like the Spring Break Talent Show, Adult Cabaret, and a murder mystery show in collaboration with the Fox Valley Park District. Executive Director Vickers shared that Assistant Superintendent of Recreation, Kyle Donahue, has a very long history in the cultural arts, especially in theatre and has many ideas to keep Playhouse 38 on an upward trending path.

Stone Creek Mini Golf has performed well and was one of the few activities folks were able to continue to enjoy during the Covid-19 pandemic and continues to do well with a 10% projected growth in revenue in conjunction with a \$1 fee increase for residents and non-residents. There is an increase in Pickleball, as it has been growing tremendously with leagues, open gym, tournaments, and lessons. Birthday Parties are increased 65% as we have nearly doubled the budgeted revenue this current fiscal year. Kid Zone saw some growth this year with a 6% increase. Kid Zone fees have also been raised.

President Frankenthal and Commissioner Cullen both stated that the leadership team did a fantastic job. They expressed their appreciation and complimented staff for their hard work.

With no further questions or discussion, the committee recommended submittal of the budget to the entire board at the April 17th, 2023 Board Meeting. President Frankenthal made a motion to adjourn the meeting at 5:00 pm. Commissioner Cullen seconded. Meeting adjourned.

Secretary

Submitted By: Nicole Vickers / Hannah Sterricker