

## MINUTES OF FINANCE COMMITTEE MEETING

**DATE:** April 10, 2024

**TIME:** 3:00pm – 4:21pm

**PLACE:** Sunset Community Center

**PRESENT:** President Frankenthal, Vice President Moffat, Nicole Vickers, Christy Powell, Elliott Bortner, Carl Gorra, and Hannah Sterricker

**GUESTS:** None

### **SUBJECT MATTER DISCUSSED:**

President Frankenthal called the meeting to order. 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 \$14,718,280 excluding the Capital Fund, with an increase of 5.32%. The Capital Fund budget included revenues of \$4,682,917 and expenditures of \$6,798,121. 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. Included in the report is a three-year operating budget for analytical purposes. Ms. Powell informed the committee that the Board will be asked to formally adopt a one-year budget for FY2024-25.

Ms. Powell stated that the increase of revenues are 5.32%, excluding the capital fund in the next fiscal year. This increase is primarily due to the 5.11% in real estate tax revenue due to a higher than normal CPI for 2022 which is 6.5%. That is capped at 5% and we also have new growth factored. President Frankenthal asked why the Park District is using the 2022 CPI. Ms. Powell stated that we do not have the 2023 number until after the tax levy is filed. Ms. Powell stated that we are looking at an increase in programming and facility revenue overall of 4.1% as we resume to more normal programming following the covid-19 pandemic. The District uses 3.5% of the fund balance to offset expenses in the coming year. In those special funds where the District has accumulated fund balance that is more than recommended by the District's fund balance policy the District will cut the rate in those special funds and offset expenses. Ms. Powell also stated that the District has seen increase in interest income and expect that to continue. The District will be cautious as we expect rate cuts ahead.

Ms. Powell stated that real estate taxes make up 44.2% of this year's budget. That percentage will fluctuate year to year depending on if grants, bonds, and fund balance usage are budgeted. President Frankenthal asked what are replacement taxes. Ms. Powell responded that personal property replacement taxes are a state shared revenue. The state of Illinois shares with local government this tax. There use to be a personal property tax in place that the state of Illinois discontinued, in lieu of that, is the personal property replacement tax. This number changes from year to year.

Ms. Powell continued stating that the District has seen its tenth consecutive year of increase, 6.9% in 2023, in the District's Equalized Assessed Valuation (EAV), after five straight years of prior declines (2009-2013). All sectors saw growth, with the most growth in the residential sector.

Ms. Powell reviewed program/facility revenue and stated overall it is budgeted to increase 4.16%. Overall, many programs and facilities saw minimal change. Program and facilities that saw the largest increase include: Sunset Pool, camps, before and after school program, holidays camps, toddler, youth, in-service day programs, and cheerleading/gymnastics. New this year, revenue was added for pickleball open gym and pickleball leagues. Additional revenue was added this year for pickleball as that program continues to grow. Executive Director Vickers added that staff were able to get more realistic numbers for Sunset Pool, which is why an increase is shown. In return, for the increase at Sunset Pool, Mill Creek Pool has seen a decrease.

The pool revenue budget overall, improved 5.81% with Sunset Pool revenue increasing 9.21% due to an expected rise in pass sales. There was a decrease in Mill Creek Pool revenue of 4.2%, as pass sales were down the prior year. Swim lessons revenue saw a decrease of 1% as programs have been down slightly for the year. Mini Golf revenue increased 2.69%, with a budgeted increase of daily fees. Playhouse 38 revenue is up 11.02% with an increase in ticket sales, program fees and concessions. President Frankenthal asked how the latest adult show went. Supt. Elliott Bortner responded that tickets sales were low the week leading up to the show but, sales took off with about 50 audience members per show, which allowed the show to turn another profit. Fitness center revenue for the Sunset Fitness Center budgeted an increase of 6.91% and SPRC an increase of 1.41% as operations return to a more normal pre-pandemic level.

Ms. Powell reviewed investment income and the Federal Reserve. The District will present to the Board the purchase of Limited Bonds in FY2025. This provides the District an opportunity to purchase its own debt.

Grant revenue is budgeted in the five-year Capital Improvement Plan (CIP). In 2023, the District received a \$600,000 OSLAD grant awarded to Mill Creek Community Park. The District will look to secure future OSLAD funding for the development of Winding Creek. The District continues to look for available grant monies for grant eligible projects. Replacement taxes are budgeted to remain the same based on actual receipts over the past few years. 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, Social Security and Special Recreation Fund.

Ms. Powell moved on to expenses stating that the budget for salaries expense, which includes full-time, part-time and seasonal employees, shows an overall increase of 4% as there was a 4% increase in programs/facilities revenue. The average salary increase for full-time employees totaled 3.68% as the District focused on updating full-time salaries and wages 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 high 2022 and 2021 CPI (7% and 6.5%). The impact of the minimum wage increase is projected in the three-year operating budget in 2024 and 2025. President Frankenthal asked how many seasonal employees do we typically hire. Ms. Vickers responded approximately 250 employees.

Ms. Powell went over the consolidated budget for contractual services which increased 3.12% with most accounts having no or very little change. The majority of increase occurred in credit card processing fees as the District moved to a new improved platform that is a hosted service. 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. In addition, there is an increase in credit card processing fees as the District sees credit card on-line usage continuing to increase. President Frankenthal asked if there is a lot of historical data the District held on the sever. Ms. Powell responded that public files are kept on the server as well as personal file drives. Virtually everything else is on the cloud which gives us security.

The health insurance budget will see an increase of 6%, in health insurance premiums from PDRMA Health, as the District sees a larger increase after several years of small increase. 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 \$31,000 as a result of participating in the HSA plan.

Electric, water and natural gas maintained a steady balance overall with no expected change. Natural gas, for the park District, continues to stay lower than the market. The District just secured a new low rate that begins in November. President Frankenthal asked how long the contract is for. Ms. Powell responded that she believes it is a three year contract.

The overall budget for commodities increased 5.92%. The majority of commodity budgets saw no change or a small increase. There was an increase in the cost of chemical supplies at the pool, and an increase in gas and diesel fuel to better align with current pricing and where we think future pricing will be. In addition, there was an increase in concession expense at the Sunset Pool based on higher prices. Ms. Vickers stated that when the District sees those higher prices we will in turn adjust. Vice President Moffat stated that expectations are that the concessions will have a similar profit margin, also sharing that the pool should continue to have food trucks on site. President Frankenthal asked if staff is still receiving suggestions of serving un-sustainable foods. Mr. Bortner stated that he doesn't remember any common theme of concession suggestions.

Ms. Powell reviewed the overall budget for maintenance and capital equipment as the District allocated more resources towards technology and efficiencies. The District funds the necessary expenditures that are done every year in the general fund and recreation fund which includes; contracted spring landscape, tree pruning, park signs, tree/stump removals, fence repairs. In addition, operating capital funds will be used for maintaining facilities and updating amenities. Ms. Vickers stated to the committee members that those accounts went up addressing projects prioritized by the Board, and goals outlined during the capital planning meeting.

The overall budget for debt service decreased 6.11%. 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 the fund.

Ms. Powell discussed the expenditures associated with the special funds. Liability insurance is budgeted 9.38% higher as the District's 2024 member contribution to PDRMA for liability insurance increased 10%. The budget for unemployment expense stayed level as it is anticipated the expense will continue at 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. President Frankenthal pointed out that the budget has a significant increase from 2021-2022 to 2024-2025. Ms. Powell shared that the District anticipates this expense being low but, has been hesitant to return to pre-pandemic budget numbers. Ms. Powell shared that the District hasn't paid unemployment claims this year and actually has a credit in that account due to a refund. This is because at times the District is billed for unemployment claims that end up being refunded.

Ms. Powell reviewed the IMRF Fund. IMRF expenditures are down 23.91%. This rate is lower than the employee contribution. The IMRF employer contribution rate in 2024 is 3.9%. 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 as well as pensionable salaries and wages, age and years of service of its employees.

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 5% as it 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 have no change 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 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. Vice President Moffat asked when the last year a transition plan was updated. Ms. Vickers responded that an updated plan was completed about two years ago. The second largest expenditure from this fund is the program payment to the Fox Valley Special Recreation Association (FVSRA). Program payments to FVSRA increased 5.25% 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 increase slightly in anticipation residents request for these services will increase. Vice President Moffat stated that he would like the Park District to speak with the school as the School District has accurate information on their students and what students and incoming students may need assistance.

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 will apply for an OSLAD grant from the State of Illinois to help pay for project costs for the development of Winding Creek.

Limited Bonds are budgeted to be received in the 2025 fiscal year. The District normally issues Limited Bonds on a biannual 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 CPI.

The annual audit transfer budget increased due to continued savings in debt service in the operating funds. The District anticipates an increase in the audit transfer from \$1.8M in 2024 to \$1.9M in 2025. 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 \$185K in land cash revenue for various residential development projects. The budget for interest income has increased as investment rates have increased. President Frankenthal asked if the District receives the land cash after a development is complete. Ms. Vickers responded that it can go either way. It could be paid by unit, by percentage of the development completion, or at the end.

Ms. Powell stated projects are further outlined within the CIP document. She reviewed a listing of some of the larger capital projects: \$450K for various improvements at SPRC and the repurpose of Kidz Korral; \$480K for the parking lot improvements including the expansion of the Mill Creek parking lot; \$675K for various Sunset Pool improvements including the rebuild of the pumps, gel coating slides, and filter replacements; \$650K for the addition of pickleball courts, which is partially funded by the OSLAD grant award; \$200K for Sandholm Woods West improvements; \$175K for Peck Farm improvements and the renovation of the Orientation Barn; \$500K for the universal playground, funded through the Special Recreation Fund; \$1.4M for the addition of the Mill Creek Park improvements including the rain garden and bathrooms, partially funded by the OSLAD grant, award, the Winding Creek Park development, and the Wellington Park playground replacement; \$275K for vehicles/equipment replacement; \$123K for computer/office equipment replacement and software upgrades.

Department heads gave a quick summary of their budgets. Superintendent Carl Gorra stated that included in the capital fund \$100K has been budgeted for the Island Park restrooms. Discussion then ensued amongst committee member in regards to the extreme flooding currently at Island Park. Staff will be replacing the 15-passenger bus that will cost anywhere from \$75K-\$100K. President Frankenthal asked if we will auction off the current bus. Ms. Vickers responded yes. Mr. Gorra then moved into the operating budget. He highlighted that the overtime budget decreased 9%. Staff have been scheduled on alternate schedules to work weekend days. Ms. Vickers stated making changes to the staff schedules where a couple staff members regularly work weekend days allows staff to complete the needed tasks but, also cuts down on overtime wages. Mr. Gorra shared that contractual agreements are up and should be only up for one year due to more in-depth sprinkler inspections. Pest control is down as the District has eliminated some pest control services no longer needed. Horticultural tools and supplies have increased 300%. The reasoning for this is because over the years these expenses have migrated to other accounts and Mr. Gorra stated he worked on bringing all those expenses back to the correct account. Greenhouse supplies is also up for the same reason. Fire extinguishers are down 36%. President Frankenthal clarified that servicing the fire extinguishers needs to be completed by a contracted service. Mr. Gorra confirmed stating that they have to be tested by law. Playground equipment has increased 25% which is a good thing as it means that our certified crew is completing inspections and finding those safety concerns. The budget for radios has decreased 100% as radios have been removed completely from the parks department as they are no longer needed now with cell phones. Mr. Gorra asked if there were any questions. Vice President Moffat asked if Mr. Gorra has looked further into offering a four-10 hour day work week. Mr. Gorra stated that is still being investigated as an option. Further discussion followed in regards to electric mower usage and work/home balance.

Mr. Bortner shared that staff is very excited to move forward converting the Kidz Korral space at SPRC into a fitness space. Other capital improvements will include replacing some windows and painting the outside of the Sunset Community Center as well as typical facility shutdown expenses in August. Mr. Bortner covered programmatic and special event budgets. Adventure Camp increased 117%. This increase tracks with how camp is running and how staff is separated out by age groups over the past two years. Youth and toddler program saw a 10% increase in revenue for program fees. Contract program services saw a 15% increase as there has been an increase in contractual services. There has been a large growth at Playhouse 38; 10% increase for program fees and 8% increase in ticket sales. Toddler programs have increased, staff has increased that budget 20%. Cheerleading has grown recently and program fees have been increased 22%. President Frankenthal asked if cheer is a year long program. Mr. Bortner responded that it is close to year round. The program grew from two to three teams this year and going very well. Sunset Pool has increased 11% for daily fees and passes. Pass sales are currently trending higher than last year. In order to stay competitive with surrounding District's salaries and wages has been increased 10%. Vice President Moffat stated that staff retention is a contribution to our 10 consecutive five-star ratings. Committee members agreed. Ms. Vickers shared that aquatics, camp, and mini golf all saw great retention this year. Mr. Bortner highlighted that in-service school days saw increases and have bounced back since the pandemic. Pickleball now has a pickleball focused budget as it has seen great increases over the year. Committee members then discussed different layouts of pickleball courts on tennis courts as well as different signage on the walking/jogging track at SPRC.

With no further questions or discussion, the committee recommended submittal of the budget to the entire board at the April 15<sup>th</sup>, 2024 Board Meeting. President Frankenthal made a motion to adjourn the meeting at 4:21pm. Vice President Moffat seconded. Meeting adjourned.

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Secretary

Submitted By: Nicole Vickers / Hannah Sterricker