

MINUTES OF A MEETING OF THE FINANCE COMMITTEE OF THE PLEASURE DRIVEWAY AND PARK DISTRICT OF PEORIA, ILLINOIS HELD AT 5:30 PM ON WEDNESDAY, OCTOBER 23, 2024 AT THE NOBLE CENTER FOR PARK DISTRICT ADMINISTRATION, 1125 WEST LAKE AVENUE, PEORIA, IL

MEMBERS PRESENT: Trustees Timothy Bertschy, Reagan Leslie Hill (in at 5:34 pm), Steve Montez, and Executive Director Emily Cahill

MEMBERS ABSENT: None

TRUSTEES PRESENT: Trustees Timothy Bertschy, Laurie Covington, Joyce Harant, Reagan Leslie Hill, Steve Montez, Vice President Alex Sierra, and President Robert Johnson (in at 5:45 pm)

STAFF PRESENT: Executive Director Emily Cahill, Brianna Cobb, Nick Conrad, Becky Fredrickson, Matt Freeman, Scott Loftus, Karrie Ross, Jenny Swanson, Attorney William Streeter, Attorney Kevin Day, Miles Howley, and Alicia Woodworth

1. CALL TO ORDER

Trustee Bertschy presided and called the meeting to order at 5:33 pm.

2. ROLL CALL

3. CALL FOR A MOTION TO PERMIT MEMBER TO ATTEND MEETING REMOTELY

No request to attend the meeting remotely was received.

4. MINUTES

4.A. Approval of August 28, 2024 Finance Committee Meeting Minutes

Executive Director Cahill MOVED TO APPROVE the minutes of the August 28, 2024, Finance Committee meeting. Motion seconded by Trustee Montez and carried on the following roll call vote: Trustee Bertschy, Trustee Montez, and Executive Director Cahill. (Results: 3 Ayes; 0 Abstain; 0 Nays)

5. NEW BUSINESS

5.A. Review of Accounts Payable

The Finance Committee members present confirmed they had reviewed the current listing of accounts payable and bills and had no questions or comments.

Trustee Bertschy stated that due to the volume of the list of bills, for example, this month's 2,760 items, it is difficult, almost impossible, to review and evaluate each and every listing. Attorney Streeter stated that he agrees, and it's not mandatory that the Board review everything, especially since there's capable professional Park District staff that does review and present it. The Board needs to do what is necessary and prudent, given the volume, to check on things. What exactly that is, depends on the circumstances and what the Board thinks is appropriate. Trustee Bertschy stated that he thinks there should be a discussion about what constitutes fiduciary responsibility, recognizing that it would take up to 46 hours if each item on this month's listing was to be reviewed. Attorney Streeter stated that he agrees, and that he thinks it's important that the listing be provided to the Board in order to be fully transparent and show nothing is being hidden from the Board. It's up to the Board to determine what is prudent and fulfilling its obligation. Trustee Montez stated that he believes

one of the most important duties of an elected official, is to provide oversight of the financial security of the Park District.

Trustee Montez MOVED TO RECOMMEND the accounts payable and bills be presented to the full Board for approval and payment. Motion seconded by Trustee Hill and carried on the following roll call vote: Trustee Bertschy, Trustee Hill, Trustee Montez, and Executive Director Cahill. (Results: 4 Ayes; 0 Abstain; 0 Nays)

5.B. Review of Monthly Financials

Karrie Ross stated that the District’s total undesignated operating fund equity totaled \$23.3 million. Compared to prior year-to-date, property tax revenue for all funds is up \$988k, but PPRT revenue is down \$1.6 million. Both of these year-over-year variances are inline with the District’s 2024 budget. The Board will soon receive the budget documents for the District’s 2024 revised budget forecast and 2025 budget. The 2024 revised forecast reflects that across all funds (operating and nonoperating) the District is projecting a total net positive of \$2.4 million, with the General, Museum, Golf, and RiverPlex Funds projecting to beat budget, and Recreation and RiverFront Funds projecting to meet budget. As the District moves into the last quarter of the year, staff will continue to monitor operations relative to budget. But, at the close of third quarter, the District is performing well relative to budget expectations.

5.C. Debt Needs Work Plan

Karrie Ross stated that staff wants to provide groundwork for some big upcoming needs and to think about how to financially handle them in the best way possible. As such, below is the information provided for this:

District’s Current Debt and Issuance Activity

- For years the District has worked directly with bond counsel and local banks to privately place Non-Referendum General Obligation Bonds totaling ≤ \$5MM/year.
- Generally the District has received several competitive bids from area banks for our GO issuance.
- This has kept the District’s issuance costs low, as we only pay bond counsel \$20k-\$25k/issuance (.4% - .5% of total issue).
- Staying at the \$5MM is “small issuer” status and significantly decreases the District’s post issue compliance obligations.

Why does the District need to adjust strategy?

The District has multiple current and forthcoming capital needs that have to be considered and managed:

- Owens Center
- Golf Irrigation
- Potential Grant Cash Flow Gap

Significant Upcoming Capital Improvement Needs

- Owens Center –
 - In 2020, the FDA banned R-22, due to its harmful effects on the ozone. No new R-22 can be manufactured, making R-22 a rarer and more expensive commodity.

- In the last 3 years,
- District has lost into atmosphere at least 1,465 lbs. of R-22
- District has spent over \$68k to replace lost R-22
- Max/lb. cost \$53.11 in 2022 & Min/lb. cost \$31.44 in 2024
- Average effective rate \$46.48/lb.

If the District wants to continue operating Owens ice plant, need to upgrade off R-22. Est. cost of \$13MM - \$16MM

Significant Upcoming Capital Improvement Needs

- Golf Irrigation at Kellogg Golf Course –
 - Madison Golf Course irrigation is the newest system (2001).
 - Newman Golf Course irrigation is the oldest (1989), but through multiple years of phased annual GO bond funding, Newman will be upgraded by 2026/2027.
 - Kellogg Golf Course (1995) irrigation system is the second oldest in the inventory. Given the stress of other District capital needs for the annual GO bond budget, there is no meaningful way to fund and complete the irrigation upgrade at Kellogg within the next 5-10 years, without additional debt issuance.

Additional analysis needs to happen, but estimated need just to replace irrigation (doesn't include potential well) Est. cost \$2MM - \$3MM

Potential Grant Cash Flow Gap

- Golf Learning Center –

Secured Funding	
Funding Type	Amount
DCEO 2023	\$4,000,000
PPD Over-reserves 2022	\$600,000
PPD Over-reserves 2023	\$650,000
PPD Bonded Contingency	\$300,000
Secured Funding Total	\$5,550,000

Waiting on additional \$1,000,000 from DCEO to cover the shortfall.

Project Expense Budget	
Category	Cost
Architect/Engineering	\$305,500
Building Renovation & Hitting Bays	\$4,466,300
Construction Contingency	\$200,000
Materials Testing	\$50,000
Exterior Lights	\$60,000
Landscaping	\$20,000
Irrigation Replace - Pitch/Putt	\$120,000
Netting & Poles on Range	\$130,000
Exterior Bay Furniture (TV's, couches, tables)	\$110,000
Interior Golf Simulators	\$160,000
Exhaust Hood/Make-up Air Kitchen	\$135,000
Walk-in Coolers	\$70,000
IT/AV Equipment	\$100,000
Fire Extinguishers	\$5,000
Window Coverings	\$30,000
Signage	\$30,000
Interior Tables, Chairs	\$40,000
Kitchen Equipment	\$500,000
Total Project Cost	\$6,531,800

Typical Park District Financing Options

Property Tax Supported

General Obligation Park Bonds

- Source of repayment: Payable from a direct property tax unlimited as to rate or amount.
- Constrained to 2.875% of the District's EAV (How much the District can have outstanding in total).
- Subject to Referendum approval

Non-Referendum General Obligation Park Bonds

- Source of repayment: Payable from a direct property tax unlimited as to rate..
- Constrained to 0.575% of the District's EAV (How much the District can have outstanding in total).
- Not subject to referendum approval

Non-Property Tax Supported

General Obligation (Alternate Revenue Source) Park Bonds

- Source of repayment: Often referred to as "double-barreled" bonds. Alternate revenue source bonds are paid from any lawfully available resource and have a property tax levy as back up should the primary source of repayment not be available to pay the principal and interest on the bonds.
- Generally, not subject to any debt capacity constraints.
- Subject to a 30-day backdoor referendum period.
- Subject to a 1.25x debt service coverage requirement.

Debt Certificates

- Source of repayment: Payable from any lawfully available resource.
- Constrained to 2.875% of the District's EAV (How much the District can have outstanding in total).

PPD's Debt Limits

- Non-referendum General Obligation Bond Authority - .575% of EAV
 - As of 12/31/2023
 - \$12,450,821 max authority
 - \$2,500,000 Outstanding
 - \$9,950,821 Debt Margin (i.e. remaining authority)
 - This is the debt type that PPD issues annually to pay for general capital improvements. Typically \$5MM/year.
- Overall Debt Limit – 2.875% of EAV
 - As of 12/31/2023
 - \$56,546,189 Debt Margin (i.e. remaining authority)

How do we issue the debt to get sufficient funding?

- We'll need to engage more professional services to plan, prepare, and execute a large issuance. The financing team will likely include:
 - Bond Counsel
 - Ratings Agency
 - Underwriter
 - Municipal Advisor (MA)

What does Bond Counsel do?

- Drafts bond resolution, indenture, loan agreement and/or other bond financing documents
- Reviews applicable law to confirm the issuer's authority to issue the bonds and its conformity with other legal requirements
- Affirms issuer's authorization of the bond offering
- Discloses and examines litigation that may jeopardize the validity of the bond issue
- Interprets arbitrage regulations and tax law
- Attests to the validity and enforceability of the bonds
- Provides guidance in structuring issues related to tax law
- Confirms tax-exempt status
- Drafts tax certificate



What does the Ratings Agency do?

- Assesses the credit quality of the bonds
- Assigns ratings to the bond issue
- Updates ratings periodically while the debt is outstanding

What does an Underwriter do?

The Underwriter does NOT have a fiduciary duty to the District, they:

- Serve primary role of purchasing securities for distribution in an arm's-length commercial transaction.
- Has a duty to purchase securities from the issuer at a fair and reasonable price but must balance that duty with the duty to sell the securities to investors at prices that are fair and reasonable.
- Reviews official statements for investors as required by federal securities laws.

What does a Municipal Advisor (MA) Do?

The MA is a fiduciary, they:

- Assists in the development of a financing plan.
- Assists in the underwriter evaluation and selection process.
- Assists in the preparation of rating agency evaluations.
- Assists in the preparation of offering documents.
- Evaluates market conditions and pricing performance.
- Assists with post issuance compliance

Why use an MA?

- The District does not have an active rating. Have not been rated since 2014, when we were rated AA-/Stable by S&P
- District is not widely known in the municipal bond market, because we have been privately placing small issuer GO's without MA's and underwriters.
- Structuring repayment on the debt issuance for Owens could significantly impair the District's annual GO availability to support ongoing capital needs for decades.
- For the last ARS bonds the District issued we used First Midstate, but that firm has since gone out of business and our advisor retired.
- Because the District has not been a large issuer (>\$5MM/yr.) for a decade, we have not had to manage post issuance compliance disclosures or arbitrage calculations.



Why does the District need an MA now?

- If we're targeting to issue the debt for Owens/Golf in spring 2026 -
 - We may want to adjust how we structure the 2025 bond issue maturity schedule to best structure our financing plan.
 - Will need to plan for potential private use issues related to the Owens debt issuance.
 - In 2025, the District should be actively planning and positioning for the ratings call that will need to happen in late 2025/early 2026. For example, it may be prudent to revise/update some financial policies prior to a ratings call.
 - By beginning of 4Q 2025, we will need to have a plan for how we're going to handle funding the "usual" annual capital improvement needs in conjunction with the larger Owens/Golf need.
 - Once the debt is issued, the District will have to stay within spend down requirements to avoid IRS penalties (ex. arbitrage), should plan that spend down/project completion is within 2 years. Currently the District has approximately \$150k funded through 2023 GO's to begin engineering. The District may want to consider a reimbursement resolution that would effectively allow us to roll those costs into the forthcoming issuance. This could be advantageous from a ratings perspective and/or a financing plan perspective.



What does this cost?

- Should expect total issuance costs to be in the range of 2%-2.5%
 - \$15MM deal – estimated total \$300k
 - MA cost estimated around \$50k

Next Steps?

- If trustees are agreeable to securing an MA, staff will complete due diligence and bring a staff recommendation to engage with an MA to an upcoming board meeting.
- Staff will keep board apprised of GLC grant funding developments. If short-term funding is needed to keep the GLC project on track, staff will bring a recommendation for such funding in an upcoming board meeting.

Karrie Ross stated that at this moment, no official action is requested. This information is presented in order to lay the groundwork for further upcoming discussions on these important financial needs. In addition, staff would like to bring more information about securing a Municipal Advisor in November, with the goal of providing a recommendation to the Board for approval before the end of the year.

6. PENDING BUSINESS

None at this time.

7. OTHER BUSINESS

7.A. 2025 Budget

Executive Director Cahill stated that 2025 budget books are now available and Trustees can pick theirs up on their way out upstairs.

7.B. 22VA Request

Executive Director Cahill stated that the 22VA group that currently leases Detweiller Riverside, is interested in replacing the flooring there. As such, they would like the Park District to affirm its desire to continue through the lease period of three years. If agreeable, staff would like consensus to move to the full Board in this affirmation and continue under the terms and conditions of the lease agreement. The Finance Committee gave unanimous consensus to move this to the full Board.

8. ACTION STEPS REVIEW

None noted at this time.

9. ADJOURNMENT

At 6:39 pm, Trustee Montez MOVED TO ADJOURN. Motion seconded by Trustee Hill and carried on a unanimous aye of those present.

Respectfully Submitted by Alicia Woodworth
Executive Assistant and Board Secretary