

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD AT 5:00 P.M., WEDNESDAY, JUNE 22, AT THE NOBLE CENTER FOR PARK DISTRICT ADMINISTRATION, 1125 WEST LAKE AVENUE, PEORIA, ILLINOIS.

MEMBERS PRESENT: Chairperson and Trustee Timothy Bertschy (v), Vice Chair and Trustee Alexander Sierra, and Executive Director Emily Cahill

Note: (v) = attended virtually

MEMBERS ABSENT: None

TRUSTEES PRESENT: Kyle Bright (in at 5:06 pm), Laurie Covington, Joyce Harant (in at 5:07 pm), Vice President Jacqueline Petty, and President Robert Johnson.

STAFF PRESENT: Executive Director Emily Cahill, Attorney Bill Streeter, Rebecca Fredrickson, Matt Freeman, Mike Friberg, Willie Howe, Scott Loftus, Shalesse Pie, Karrie Ross, Jenny Swanson, Greg Walker, and Alicia Woodworth

OTHERS PRESENT: Katie Bermingham, CPA, Manager, CliftonLarsonAllen

1) CALL TO ORDER

Trustee Timothy Bertschy presided and called the meeting to order at 5:01 pm.

2) MINUTES

2.A. Approval of May 25, 2022 Finance Committee Meeting of the Whole Minutes

Trustee Sierra MOVED TO APPROVE the minutes of the Finance Committee Meeting of the Whole on May 25. Motion seconded by Trustee Bertschy and carried on a unanimous aye of those present.

Trustee Sierra noted that upon his review of the minutes, he wanted to note that over the past two months, there have been many conversations relating to redistricting. During the May 25 Finance Committee meeting, he stated that he would not support map S6, putting the East Bluff into the Southern District. After listening to the recording of that meeting, he realized he had misspoken.

3) NEW BUSINESS

3.A. Review of Accounts Payable

Those in attendance had no questions or comments concerning the May listing of accounts payable.

3.B. Review of May 2022 Financials

Karrie Ross stated that summer has arrived, and, as expected, it is one of the busiest summers the District has seen in years. At the end of May pools were ready to open, camps were beginning, and the summer weather began to turn.

Facilities like the zoo and golf are gaining some ground on revenues missed during the cold spring. Zoo revenue is up approximately \$26k from prior year, because concessions has been

open, admissions are still down slightly from prior year. Golf revenue is down only \$12k from prior year, most of that variance is in memberships. However, note, both divisions were budgeting higher revenues in 2022 than 2021; so, they both still need to gain ground in order to meet budget.

Inflation and the tight labor market have posed challenges for managers this year. One example of higher expenses this year will be gas and diesel costs. At the end of May, the increased fuel costs have not yet begun to materially impact the income statement (up only \$29k); but, as the warmer season transpires more equipment use will generate a higher variance in fuel costs from prior year.

The labor market has been the most difficult element for managers to maneuver this year. In order to attract, and retain seasonal staff, most divisions have had to increase their hourly rates. It's anticipated that part-time camp payroll budgets will run over budget, due to this issue. Even beyond part-time seasonal staff, executive management is monitoring and planning for ways to alleviate negative effects of the tight labor market on staff at large.

Beyond the struggles associated with the current market conditions, the District's nonoperating revenue (taxes) remain incredibly strong (up approximately \$1 million), and the District's success in securing a renewal of ICJIA program grant funding (\$900k for 7/1/22-6/30/23), put the District in a strong position at this point in the year.

To assist in the review of the financial statements, the major variances in year to date fund totals are explained, and management provides brief comment on overall financial condition and issues. To be identified as a major variance, the difference between the current year to date fund total and the prior year to date fund total must be greater than \$75,000 and more than a 5% change.

Revenues

- General Fund – The General Fund revenue is \$1.5 million higher than prior year. The majority of this increase is associated with unusually high replacement tax revenues; but, the District's grant capital projects also impacted this year over year variance.
- Museum Fund – The Museum Fund is up \$265k in total revenue, which is due to the increase in replacement tax revenues received.
- Recreation Fund – The Recreation Fund's revenue is up \$639k from prior year. PlayHouse revenue is up \$373k from prior year, 58% of this increase is due to the Shuttered Venue Grant funds that is supporting expenses through June 2022. But, the PlayHouse and many other facilities in the Recreation Fund are benefiting from a return to more normal operations with the waning COVID restrictions. Charges for services are up at PlayHouse approximately \$156k, Owens is up \$180k, Zoo is up \$63k, Lakeview Recreation Center is up \$51k, and Wokanda is up \$27k.
- RiverFront Fund – This fund's revenue is down \$74k from prior year; \$43k of this decrease is associated with the delayed timing of the City's quarterly HRA tax revenue payment to the District. The City pays the District \$86,500 per year of HRA tax revenue they collect to support RiverFront event activities. The City generally makes this payment quarterly; but, the District

hasn't received a payment since third quarter 2021. Staff has spoken with the City regarding the delay, and it's anticipated that the City will send payment to current by the end of June.

- RiverPlex Fund – Revenues are down \$397k compared to 2021. However, this variance is primarily because the RiverPlex fitness operations is no longer paying \$86,253 per month in rent to the RiverPlex facility. After adjusting for the discontinuation of RiverPlex facility rent revenue associated with the former PPD/OSF Fitness partnership, the RiverPlex's fund revenues are actually up \$34k. That increase in revenue is largely tied to the new OSF medical lease revenue, which is higher than the prior agreement. The charges for service revenue at the facility are down approximately \$27k from prior year. Fitness memberships are down slightly; but, swim lessons, leagues, and rentals are up from prior year.

Expenditures

- General Fund – General Fund expenses are up \$410k compared to 2021. The increased expenses are due to a greater number of people on payroll post COVID mitigations (wages up \$134k and districtwide health premiums up \$87k), which are budgeted increases, and a timing difference in an earlier delivery and payment for golf maintenance supplies in 2022.
- Recreation Fund – Fund expenses are up \$812k compared to 2021; however, this increase is expected, given the increased activities now that COVID restrictions have lessened, and the increase was budgeted for. The most significant component of the expense increase is tied to personnel costs (wages up 421k and health benefits up \$69k).
- RiverPlex Fund – Fund expenses appear down \$258k; but, that that's because the RiverPlex fitness operations is no longer paying \$86,253 per month in rent to the RiverPlex facility. After adjusting for that interdepartmental transfer, the RiverPlex's expenses are actually \$173k higher. The increased expenses are associated with increased payroll and supply costs.

Trustee Bertschy asked if at some point, would the District anticipate that the investment income would start to rise beyond where it's been at baseline the last couple of years due to the rising interest rates? Karrie Ross stated yes with a couple things to note. First, the District's money market funds are liquid, and while the interest rate is rather low, it has increased as have CD rates. Karrie has had conversations with staff about the possibility of putting more dollars into CDs in order to take advantage of the increased interest rates.

Trustee Sierra asked in reference to the Accounts Receivable Aging report, is the 21st Century Grant state funded? Karrie Ross stated she believes the dollars are federal but passed through a state agency. The District is subcontracted on the grant and not a subrecipient.

Trustee Bertschy stated that at the next Finance Committee meeting, he'd like to have a conversation about what money/assets the District has under investment, what limitations the District has under those investments, and what the possibilities might be to increase the District's investment income.

3.C. Audit Report Discussion

Kerrie Ross introduced Katie Bermingham from CliftonLarsonAllen who is here to present an overview of the year-ended December 31, 2021 completed audit. Highlights of the audit include the fact that the audit was an unmodified (clean) audit opinion on the financial statements and there were no internal control deficiencies or issues of noncompliance based on the audit in

accordance with *Government Auditing Standards*. The total charges for services in 2017 was \$14M then declined slightly in 2018. Due to COVID, 2019 and 2020 took a sharp decrease to \$6M in 2020. In 2021 the total charges for services was \$8.5M, showing a steady increase post COVID.

Tax revenue accounts for nearly 64% of the District's total 2021 revenue. The increase in taxes in 2021 from 2020 was due to an increase in replacement taxes. Over the past five years, there has been consistent tax revenue, with not been much volatility in this major revenue source.

Due to the negative revenue impacts from COVID, the District had to mitigate expenses as much as possible in 2020. During 2021, operating expenses increased due to District operations beginning to normalize. Personnel expenses increased due to hiring of additional staff, as well as wage increases.

Net income of \$8.7M in 2021 was driven by four primary factors: 1) \$1.3M in operating grant revenue, 2) the transition of the District's IMRF pension plans' value from a net pension liability to a net pension asset (\$4.6M), 3) an increase in the District's nonoperating noncapital donations, driven up by a \$1M donation from Forest Park Foundation and 4) an increase in replacement tax revenue (\$1.9M).

Capital contributions were \$844,902 for 2021 with the major projects being exhibit upgrades at Forest Park Nature Center, the purchase of 389 acres of land, and restoration of native prairie in various parks.

Long-term debt totaled \$2.5M in 2021, the same as 2020. The Park District continues to reduce long term debt from \$7.2M in 2017.

Total net position in 2021 was \$119.4M, up from \$109.4M in 2020. The increase is primarily the result of increased revenues, including charges for services, contributions/donations, and grants. Approximately 83% of the total net position consists of net position invested in capital assets. Unrestricted net position was \$2.4M as of December 2021 and \$3.3M as of December 2020, respectively.

CliftonLarsonAllen issued a Letter to Governance detailing there were no disagreements or difficulties with management, no audit adjustments, and no significant estimates. The GAS Internal Control and Compliance letter noted no findings.

A single audit will more than likely be required next year. A single audit is performed when over \$750k of federal grant dollars are spent. This is regardless of the amount of grant received as the audit requirement only pertains to amount spent. In addition, Karrie Ross stated that the District is looking into the possibility of purchasing new financial software that would increase efficiencies related to the audit process. These audit-relative costs need to be considered when determining the cost effectiveness of grants and other financial matters.

President Johnson stated that it seems that the Park District's financial position is really great and he appreciates everyone's hard work. He asked if now that the debt service is paid, can we

go ahead and start renovations at Glen Oak Park now? The money that's supposed to be coming from the state – can that be paid toward that debt? Karrie Ross stated the District issuing debt now to pay for capital construction at Glen Oak Park and then get a grant to reimburse the District for that is unlikely. Grant agreements would not allow for payment of expenses incurred prior to the signing of a grant agreement to be paid with the grant dollars and it is highly unlikely they would allow reimbursement for projects already completed, in her experience.

Emily Cahill stated that the allocation to the Park District shown in the state budget is for capital expenses and are not specifically assigned to any project. When plans for Glen Oak Park were presented to Leader Gordon-Booth as a possible use for those funds, she agreed it would be a great project, but those funds were not specifically earmarked for Glen Oak Park. The current capital plan includes maintenance items at Glen Oak Park such as the huge expenditure of \$1M for a much-needed new roof at the Glen Oak Pavilion.

President Johnson asked if the District is in a position to take the debt on themselves for the other projects at Glen Oak not including the roof. Emily Cahill stated the District would have to evaluate what that would mean. Given the volatility of the economy, the District would be taking on significant risk if it were to incur debt now, knowing that a recession is potentially coming. Karrie Ross stated that relative to the District's statutory limits on debt load, the District is not utilizing the maximum allowable amount of debt to be issued. Please keep in mind that often when debt is issued in order to build a significant facility or improvement, if that facility generates additional operating expenses for the organization, those additional operating expenses need to be covered by other operating revenues. The District is taxing at maximum rate in operating funds. If the District were to issue debt to build anything capital, if the District doesn't have the operating funds to offset the operation expense, it would put the District in a very significant distressed position.

Trustee Bertschy stated that due to the fact there were only 10 minutes left in this meeting, could we please get back to the audit review and questions while Katie Bermingham is here to answer our questions. He would like Trustee Sierra to be able to ask his questions relating to the audit and apologized to President Johnson if he cut him off. He does think this issue that President Johnson is currently raising is something that needs discussion but at a later time.

Trustee Sierra stated that the audit report states the increase in total net position is primarily due to many factors including grant funding. How much of that grant funding was COVID related? Karrie Ross stated that the COVID-related grant funding received in 2021 was approximately \$400,000, coming through the ICJIA grant and other smaller grants. Could you please explain the decrease to \$2.5M in long term debt for 2020 and 2021? Karrie Ross stated historically, annually, the District issues general obligation bonds for up to \$5M. Over \$5M would require incurring significant issuance fees. That \$5M in general obligation funds get paid in 2020 and 2021 or gets rolled over into the next year. The \$2.5M shown represents the payment timing, with the debt turned over in two years.

Trustee Sierra stated that in relation to the Annual Comprehensive Report shown on the condensed statement of revenues, it shows in 2021 grants totaled \$1.3M but none for 2020 and

2019. Could you please explain? Karrie Ross stated there are two different categories for grants. There's operating program grant monies and capital grant monies. Historically, the District has had years where it received large capital grants but it is only recently that the District is actually receiving material amounts of operating money. This year in compiling the financials, staff thought it would be advantageous to split it out in the report so that the reader would be able to see exactly how much operating grant money the District is receiving rather than putting it into other revenues.

President Johnson asked where the funds came from in building the pickleball courts at Glen Oak Park. Karrie Ross stated it was general obligation bond-funded. President Johnson stated he's trying to get to how soon the Glen Oak Park projects can be started. Emily Cahill stated staff can put together an evaluation report for him about the opportunities at Glen Oak Park. President Johnson agreed to this and stated he must not have made himself clear in the past by requesting true feedback about this. Trustee Bertschy stated that as Chair of the Finance Committee, he personally assures President Johnson that he will work to make sure he gets the information he's seeking as he thinks it's important information.

Trustee Bertschy had other audit-related questions but due to time constraints, he will seek answers at a later time.

3.D. Policy Review

Due to time constraints, this item will be discussed at the next Finance Committee meeting.

4) PENDING BUSINESS

4.A. User Fee Policy Review

Due to time constraints, this item will be discussed at the next Finance Committee meeting.

5) OTHER BUSINESS

6) ADJOURNMENT

At 5:58 p.m., Trustee Sierra MOVED TO ADJOURN. Motion seconded by Trustee Bertschy and carried on a unanimous aye of those present.

Respectfully Submitted by Alicia Woodworth
Executive Assistant and Secretary to the Board