West Chicago Park District
Committee of the Whole

December 4, 2018
ARC Center
6:00 p.m.

AGENDA

I. Call to Order – Commissioners Bass, Gunderson, Lenertz, Spencer, Voelz and Zaputil were present.

II. Pledge of Allegiance – President Lenertz

III. Public Participation - None

IV. Superintendent of Finance – Superintendent Hoffmann reviewed the following with the Board (Exhibit A):

- Management Letter
- Fund Balance Policy
- Expenses Exceeding Budget
- 7 Year Fund Balance History
- Debt Structure
- Bonds
- Debt Limitations

V. Executive Director – Director Major and Superintendent Kaspar reviewed the following with the Board (Exhibit B)

A. Capital Projects
B. Recap of 2018
C. Vision for 2019

VI. Miscellaneous

A. The Board Reviewed the 2019 Meeting Schedule
B. Director Major Reminded Commissioners attending the IPRA conference and their spouse are invited to the annual appreciation dinner hosted by Ancel Glink – the Districts counsel. The dinner will take place at Athena Restaurant on Friday, January 25, cocktails at 6pm and dinner at 7pm. **Please let Gary know if you will be attending no later than December 15.**
C. The Board reviewed the Meeting and Upcoming Event Reminder
D. Director Major invited the Board to a scheduled lunch at 12pm on December 13 at Coopers Corner with David Sabathne of the Western DuPage Chamber of Commerce.
E. Director Major reminded the Board of the District's membership in US Communities which bids out items on behalf of its members allotting for entities to purchase from vendors without going through a bidding process of their own.

VII. Adjournment – The meeting adjourned at 7:19 p.m.

Finance COTW:

Management Letter and Debt Presentation

December 4, 2018

WEST CHICAGO
PARK
DISTRICT

What is a Management Letter?

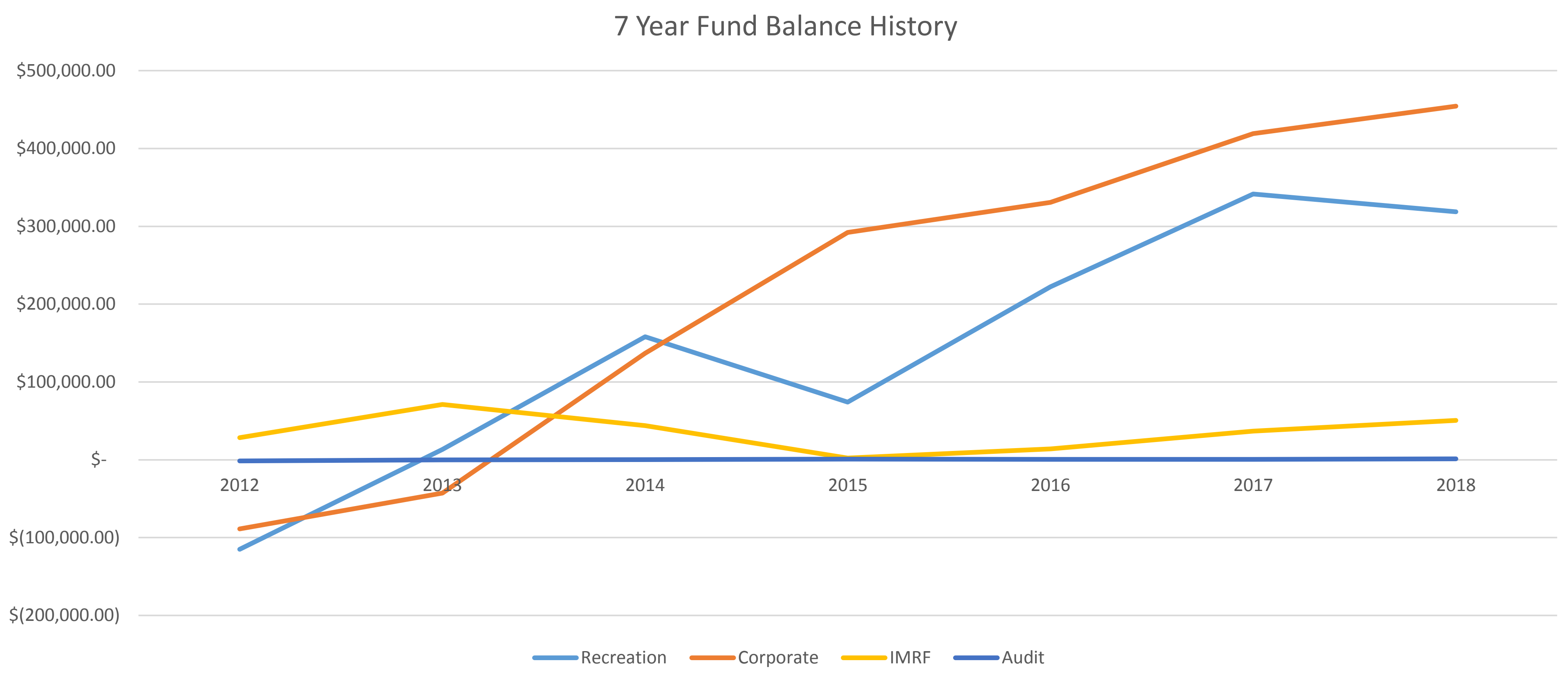
- Issued by external auditors on an annul basis.
- Tells us audit firm's suggestions and concerns regarding our operations and/or internal control structure; not part of audited financials.
- Very important to note that this is not an opinion on the internal control structure; rather it is an observation of said structure and operations while performing audit.
- A well written management letter is very helpful to the finance staff and provides comments and suggestions for improvement.
- Our 2018 management letter has 2 comments re: fund balance policy not being followed and expenses exceeding budget.

Fund Balance Policy

- Issued by BOC in March 2015 (copies will be distributed at meeting).
- Helpful in guiding staff when making budgetary and expenditure decisions.
- Staff developed this policy with legal guidance from Ancel Glink and after reviewing other districts' policies.
- Balance requirement of 3 months expenditures established for: Corporate, Social Security, IMRF, Insurance and Audit funds.
- Balance requirement of 10% of tax levy established for Recreation.
- Audit was the only fund that did not meet requirement and by a nominal amount ($3,452).
- We will be levying extra taxes over the next 2 years to correct this issue.

Expenses Exceeding Budget

- As a government agency, we must establish an annual budget, approved by the Board via ordinance.
- When expenses (per fund) exceed budget, it will always be written into our management letter because technically, they are expenses not formally approved and filed with the county.
- This often happens when unbudgeted capital expenses incur. Please note it will happen again in 18-19.
- The great news is that in 17-18, all unbudgeted expenses were due to bond issues.
- $686 of registrar fees, $2,700 in bond interest and $15,094 in bond issue costs.
- Of these, the only material one was the bond issue costs.
- In the past, the auditors would record these costs as part of their audit adjustments.
- In 2018, the finance staff started to record them because we like to limit the amount of adjusting entries needed.
- We did not budget for these costs accordingly but will do so in the future.
- It is important to note that the bond issue costs are not a cash flow issue. These costs are paid via the bond issue.
- It is also important for the Board to be aware of these costs as we incur them whenever we issue new debt, currently on an annual basis.



	2012	2013	2014	2015	2016	2017	2018
REC	$ (114,929.00)	$ 13,182.00	$ 158,069.00	$ 73,950.00	$ 222,327.00	$ 341,557.00	$ 318,563.00
CORP	$ (88,728.00)	$(42,695.00)	$ 136,957.00	$ 292,298.00	$ 330,741.00	$ 419,167.00	$ 454,394.00
IMRF	$ 28,290.00	$ 71,168.00	$ 44,007.00	$ 2,352.00	$ 14,050.00	$ 36,881.00	$ 50,706.00
AUDIT	$ (1,345.00)	$ (81.00)	$ 302.00	$ 982.00	$ 406.00	$ 440.00	$ 1,361.00

A closer look at our debt structure……

What are Bonds?

- Bonds are a type of indebtedness, a type of loan. The buyers of the bonds (lenders) issue the park district money upfront (principal) when purchasing our bonds. We, in turn, pay interest annually to the bond holders/lenders and also pay the principal back over a set period of time (usually years).
- The park district works with many professionals when issuing bonds (legal counsel, financial counsel, bond registrar); it is a complicated process that requires much expertise and all parties to work together.
- The park district pays the principal and interest to the bond registrar (a bank), who then releases funds to bondholders (usually another bank or financial institution).

Do we have debt limitations?

Overall Statutory Debt Limitation

- We are limited to overall debt of 2.875% of our annual EAV; that limit currently for WCPD is $24,528,111.
- Our total principal debt is $27,208, 560 which is more than the debt limitation.
- But because alternate revenue bonds are not included in the overall statutory debt limit definition, we legally are using 69% or $16,923,560 of our overall debt limit.
- What is an alternate revenue bond? It is a bond that is issued with the intent to abate the tax levy, to be paid back out of operations or other funds as lawfully available for such purpose.

Statutory Non-Referendum Debt Limitation

- Our non-referendum debt is limited to .575% of our annual EAV; that limit currently for WCPD is $4,905,622.
- We currently use 45.87% , or $2,250,000 of our overall non-referendum debt limit.
- This limit does not apply to any referendum bonds and it also does not apply to alternate revenue bonds.
- Both the overall and non-referendum debt limits apply to principal only and apply to the total bond issue (so they are not annual expense limits).

The Debt Service Extension Base (DSEB)

- This is the limit most people are more familiar with, and it the one that limits what we can spend on paying back debt (both principal and interest) in any given year.
- The DSEB was established in 1995 to allow local governments to issue bonds without referendum approval, as long as the principal and interest annual payments did not exceed the government’s 1994 bond and interest levy.
- The DSEB is subject to a modest annual increase equal to the levy year Consumer Price Index.
- Our current DSEB limit is $783, 151; original was $667,128.

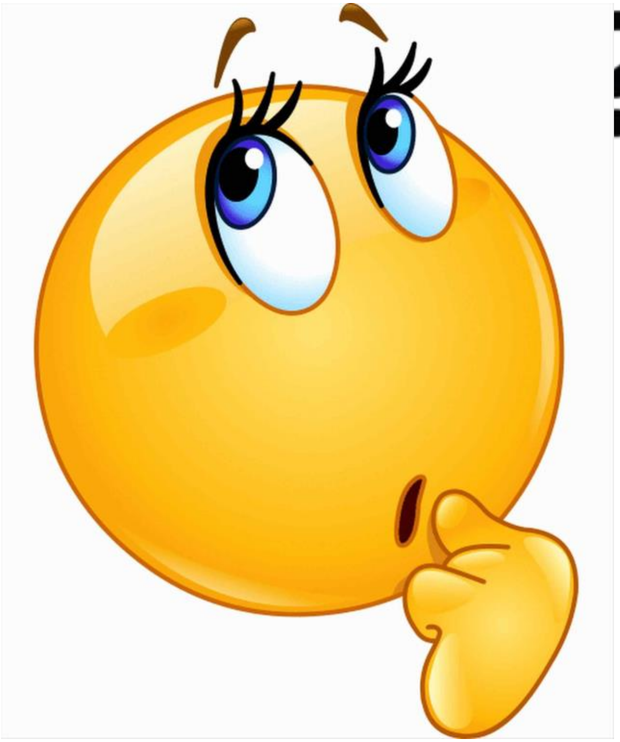
What do all these limits mean to us?

- All of the limitations explained in the previous slides are part of the information we use to determine the type of debt to issue when the need for debt arises.
- The annual rollover bonds that the Board approves each November are for Limited Park Bonds, used to then pay for the principal and interest due on the Alternate Revenue Bonds the Board abates in December.
- TOTAL DEBT (PRINCIPAL ONLY): $27,208,560
- Bonds are issued for specific purposes (pay debt, funding a grant project, capital projects, etc). So when new capital expenses occur that were not included in the original debt structure, those projects can't always be funded by an existing bond.
- <u>For 18-19, no funds remain for capital projects. Any additional capital will be paid for out of operations and directly impact fund balances.</u>
- Monies received from bond issuance are accounted for separately from operating funds; they can't be combined and operational expenses can't be paid out of bond proceeds when said bonds were issued for debt payment or capital projects.

What do fund balances and debt have in common?

- Although these 2 topics may seem to be unrelated, they have very impactful effects on one another.
- The larger our fund balances, the more those fund balance can support operations and can absorb the costs of maintaining and improving our buildings, equipment, parks, and even small capital projects.
- This can lead to a reduced need to rely on debt and could possibly lead to a decrease in our annual debt levy.
- Decreasing the debt levy does not decrease our ability to issue debt in the future! It actually increases our opportunities and flexibility for the future.

So the question may not be "Can we afford it?" but "Should we afford it?"


THANK YOU FOR ATTENDING!

Board of Commissioners

West Chicago Park District

Committee Meeting, Dec. 4, 2018

Review of 2018, Preview 2019

Highlights 2018:

---Opening and programming of ZONE 250.

---Construction and opening of Toucan's Hideaway.

---Hello Summer! event.

---SHELL programming on Wednesday nights and Friday afternoon kid's events.

---The arrival of the PYRAMID.

---Hiring of Human Resources Manager and transition of the Finance Department.

---Establishment of the Silver Sneakers program.

---Pioneer Splash Pad retooling.

---Moving the financial operations to Republic Bank.

---Re-establishing the presence of the Friends of West Chicago Parks Foundation.

---Instituting a successful Tree inventory, maintenance, removal and growing program.

---Infield upgrades at the Pioneer and Reed Keppler Ball Fields.

---Installing a new auditor, and receiving acknowledgement for financial stability and processes.

---Re-organization of the Parks Department.

---Boo Bash!!

2019 Vision:

---Further development of overall program direction and evaluation.

---Development of tracking system for employees.

---Dyer Parks facility, installation of outside storage venue.

---Pioneer upgrades including new dugout roofs, and evaluation of pond Gazebo.

---More team building activities, informal basis.

---Kress Creek OSLAD submittal for final property development.

---Continued emphasis on managing and increasing Fund Balances.

---Positioning the District for appropriate Financial Reporting Benchmarks.

---Movement toward developing paperless accommodations for participation in programming areas.

---Evolution of Marketing Department, consideration of part time staff needs.

---Technology upgrades in marketing department and printing capabilities.

---Expansion of Family events.