



# CHICAGO PARK DISTRICT



## Chicago Municipal Analysts Society Site Visit at Soldier Field

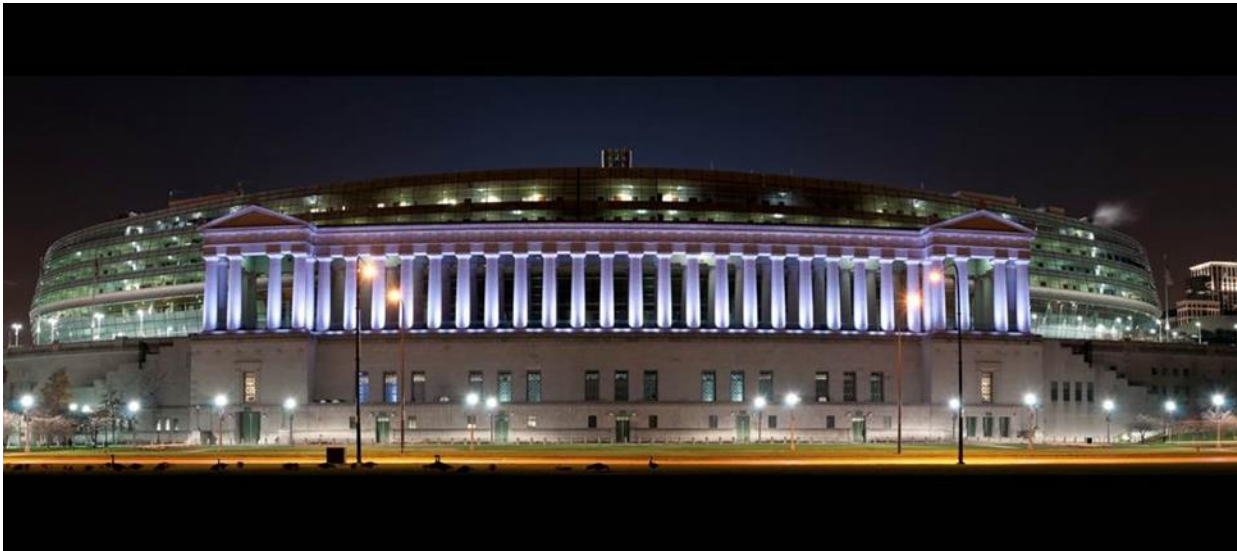
June 28, 2018

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# Chicago Park District Management



## Michael P. Kelly, General Superintendent and Chief Executive Officer

- Started with the District in 2003 and appointed General Superintendent and Chief Executive Officer in November of 2011
- Served as Chief Operating Officer, First Deputy General Counsel and Director of Intergovernmental Affairs of the District
- Extensive knowledge of the District and public sector management experience
- Former Assistant to the Mayor for the City of Chicago

## Steve Lux, Chief Financial Officer

- Served as CFO since March 2013
- Over 30 years' experience in financial operations, accounting and auditing
- As prior Comptroller of City of Chicago, responsible for fiscal management of \$6 billion operating budget
- Assisted in management of over \$13 billion in plan investments for defined benefit and contribution plans

## Cynthia Evangelisti, Treasurer

- Appointed Treasurer in November 2015, following her tenure as Acting Treasurer since November 2012. She has been with the District for 15 years in the Treasury Department, serving as Deputy Treasurer, Assistant Treasurer and Sr. Treasury Analyst
- Prior to current position, worked for the City of Chicago for 13 years in the Department of Law (Finance and Economic Development Division and Aviation), Department of Aviation, Office of Budget & Management and Department of Finance (Financial Policy)

## Juliet Azimi, Budget Director

- Served as Budget Director since March 2012
- Prior to current position, worked for the City of Chicago for 15 years in the Department of Revenue Tax Division, Office of Budget & Management and Department of Finance Water Billing Division

## Cecilia Prado, Comptroller

- Served as Comptroller since April 2012
- Prior to current position, worked at a local public accounting firm for over 20 years where she was responsible for preparation and project deliverables for audit, accounting and consulting engagements
- Clients included the Illinois Department of Human Services, Chicago Public Schools and Peoples Energy Corporation



## **Financial Summary: Strong and Stable Finances**

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# Recap of Results from 2017



The Park District continued to remain within budget by achieving key revenue projections and operational efficiencies.

## Revenues:

- ☐ Property Tax revenues were slightly below target due to timing issue
- ☐ PPRT revenues impacted by reverse of liability
- ☐ Soldier Field had another outstanding year of growth
- ☐ Zero reliance on use of prior year fund balance in General Fund
- ☐ TIF Surplus distribution came in slightly below budget
- ☐ Harbor Fees were slightly below budget

## Expenditures:

- ☐ Personnel Services were below budget due in part to vacancies, hiring efficiencies and freeze
- ☐ Contractual Services (includes utilities, e.g., natural gas, electric and water and sewer services) generated savings despite increase in water and sewer rates due to conservation efficiencies
- ☐ Soldier Field had another strong year in growth, however, associated increase in expenditures occurred

**As in prior years, proactive management resulted in controlled expenses and favorable results**



# General Fund – 2017 Operating Results



	Final Budget	Actual*	Variance with Final Budget*
Revenues:			
Property tax	162,729	153,275	(9,454)
Tax Increment Financing	10,200	9,626	(574)
Personal property replacement tax	23,559	32,065	8,506
Interest on investments	450	1,763	1,313
Concession revenue	3,821	3,691	(130)
Parking fees	6,142	5,757	(385)
Harbor fees	12,602	11,461	(1,141)
Golf fees	5,420	5,769	349
Recreation Activities	15,195	14,223	(972)
Solider Field	33,379	35,232	1,853
Donations and grant income	5,040	2,016	(3,024)
Rentals	1,305	818	(487)
Miscellaneous income	1,721	1,695	(26)
Permits	16,220	15,711	(509)
Northerly Island	1,150	1,182	32
Other user charges	7,268	7,250	(18)
Capital Contributions	1,100	-	(1,100)
Use of Fund Balance	2,500	-	(2,500)
Transfer in	-	-	-
<b>Total Revenues</b>	<b>309,801</b>	<b>301,534</b>	<b>(8,267)</b>
Expenditures:			
Personnel services	167,159	162,711	4,448
Materials and supplies	5,564	5,271	293
Small tools and equipment	465	440	25
Contractual services	128,345	121,019	7,326
Program expense	768	548	220
Other expense	7,500	7,494	6
Transfer out	-	-	-
<b>Total Expenditures</b>	<b>309,801</b>	<b>297,483</b>	<b>12,318</b>
<b>Revenues over expenditures</b>	<b>-</b>	<b>4,051</b>	<b>4,051</b>



# FY2018 Budget Summary



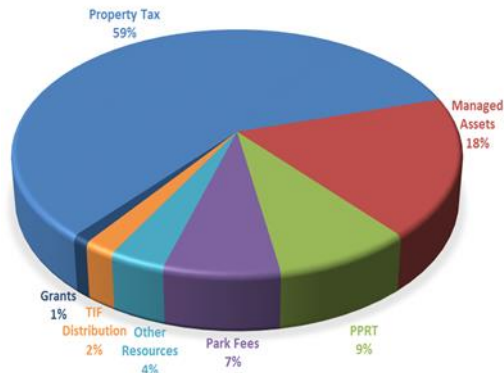
- \$462.3M spending plan is 2.9% (\$12.9M) higher than FY2017 adopted budget
- The FY2018 net appropriation is 1.9% increase over FY2017 adopted budget excluding internal reimbursements of \$4.2M
- Decrease in FTE count by 29
- Financial Safeguards Remain in Place – Long-Term Reserve, Economic Stability Reserve, PPRT Reserve, Long-Term Liability Reserve
- Structural imbalance reduced for sixth consecutive year through decreased budgeted reliance on prior year fund balance to address structural imbalance; including complete elimination of prior year fund balance reliance in the Special Recreation Fund.

	<b>FY2017</b>	<b>FY2018</b>	<b>Change</b>	
Budget	\$449.4M	\$462.3M	\$12.9M	2.9%
Net Appropriation <i>(Excluding Internal Reimbursements)</i>	\$449.4M	\$458.1M	\$ 8.7M	1.9%
FTEs	3,236	3,207	(29)	(0.9%)

# 2018 Revenue and Expense Profile

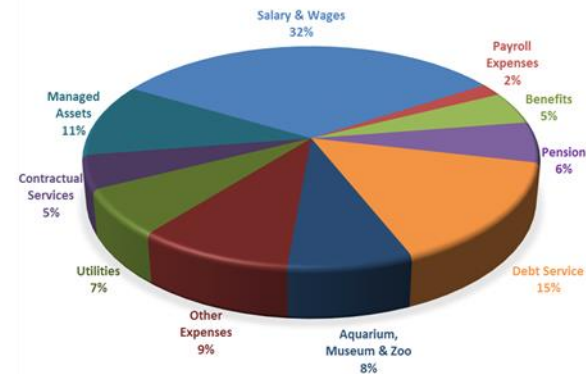


## FY 2018 Revenues by Source



- ☐ Property Tax and PPRT - \$313.5M (68% of resources)
- ☐ Managed Assets - \$85M (18%)
  - Soldier Field: \$34.4M
  - Harbors: \$25.9M
  - Golf: \$5.7M
  - Parking: \$6.1M
  - Concession: \$3.8M
  - McFetridge: \$2.9M
  - Morgan Park: \$1.5M
  - Maggie Daley: \$1.3M
  - Northerly Island: \$1.3M
  - MLK Center: \$1.5M
- ☐ Park Fees - \$33.3M (7%)
  - Park Program Fees: \$15.3M
  - Permits & Rentals: \$18M

## FY 2018 Expenditures by Source



- ☐ Personnel Expenses - \$209M (45%)
- ☐ Debt Service - \$70.6M (15%)
- ☐ Aquarium, Museums & Zoo - \$35.2M (8%) with \$26.6M from property tax levy and \$3.0M from PPRT
- ☐ Managed Assets – Operating Expenses - \$49.8M (11%)



# Snapshot of Events Calendar at Soldier Field



**Beyonce & Jay-Z**  
8-10 & 11-2018



**Kenny Chesney**  
7-28-2018

**U of I and U of So.  
Florida 9-15-2018**



**"Da Bears"**



**11-3-2018**





## **Debt Profile: Conservative and Manageable**

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# Current Ratings

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**STANDARD  
& POOR'S**

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- AA+ (Stable Outlook)

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**FitchRatings**

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- AA- (Stable Outlook)

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**KBRA** **KROLL BOND  
RATING AGENCY**

- AA (Stable Outlook)

# Conservative Debt Management

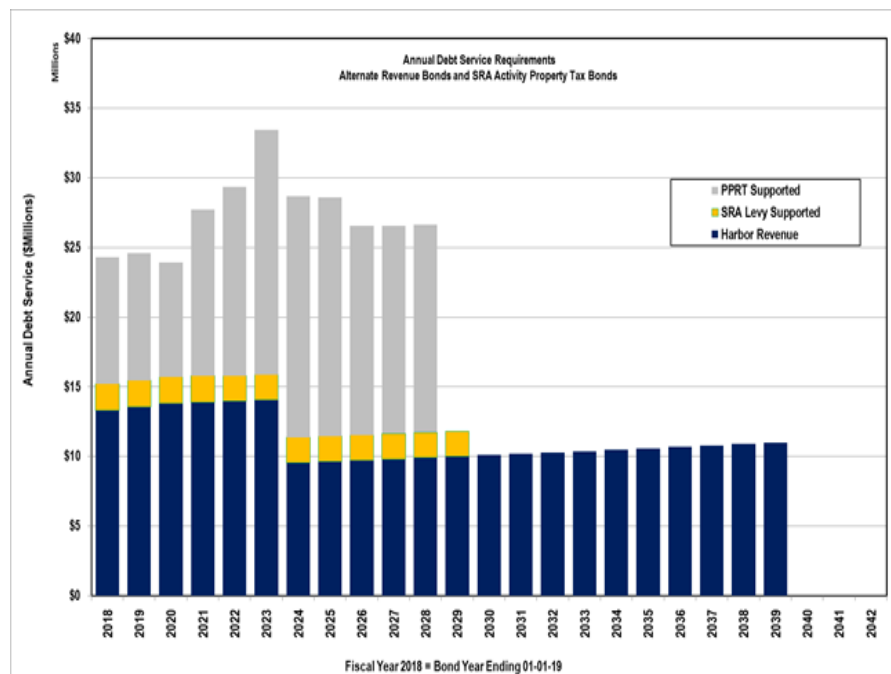
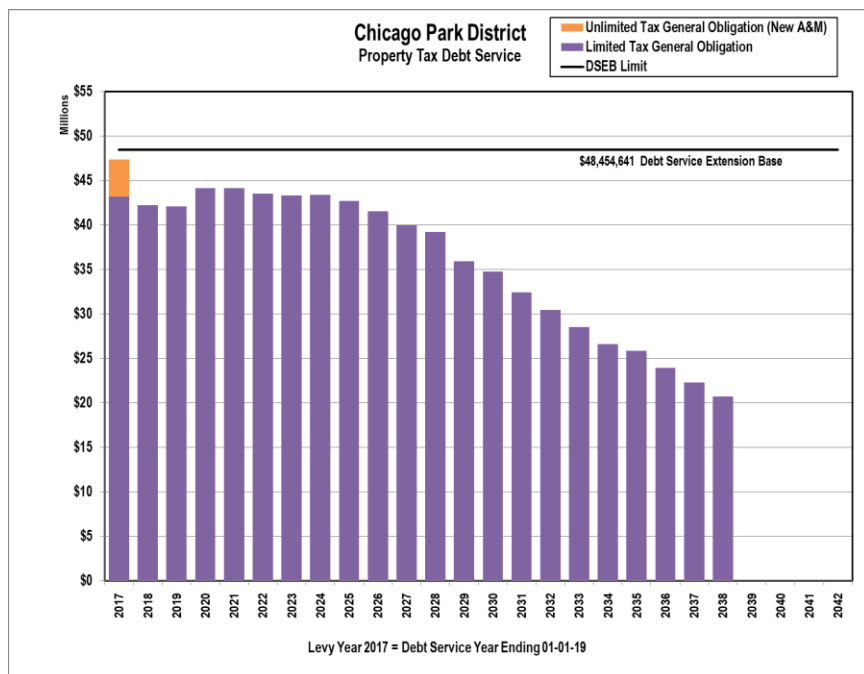


## Responsible Amortization to Preserve Capacity for Future Needs

- ❑ The Park District has structured its past bond issuances along with the planned issuance of the Series 2018 Bonds, to maintain the existing downward-sloping debt service structure
- ❑ Additional issuance to support the Park District's 5-year capital plan is planned to fit within this structure and within the limits of the Park District's annual debt service levying capacity (Debt Service Extension Base)

## Past Conservatism Allows for Flexibility in Redeploying Revenues

- ❑ Historically strong financial management planning has provided the ability to reallocate a portion of PPRT debt to help facilitate other funding needs
- ❑ Allows flexibility in managing the budgetary impact of increased pension contributions in the near future



# Debt Management Update



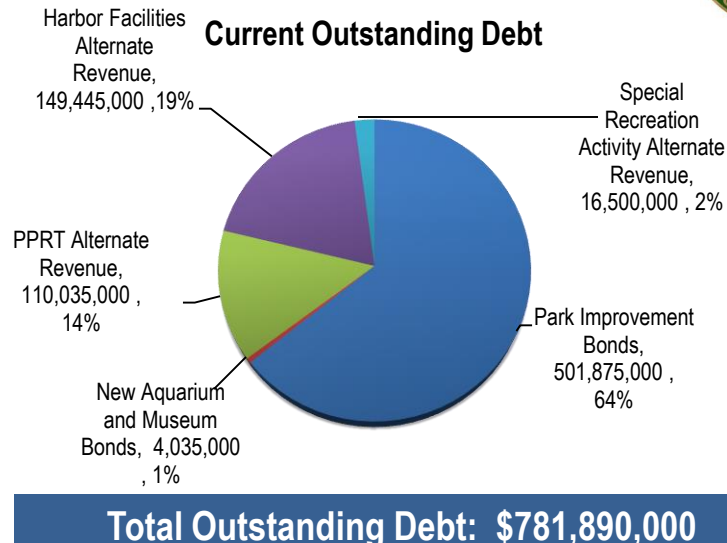
## Revolving Line of Credit

### Funding Status of Current Capital Program

- ❑ District typically funded capital program in arrears through the Operating Fund
- ❑ Issued BANs in amount not to exceed \$50 million have partially replaced this practice to reduce the use of the Operating Fund
- ❑ Issued November 6, 2017 and expires on November 5, 2018
  - Interest rate: a rate per annum equal to the sum (a) seventy percent (70%) of LIBOR plus (b) sixty-five basis points (0.65%) calculated monthly for LIBOR Interest Period
  - Unused Portion Fee: Ten (10) basis points (0.10%) on the undrawn amount
- ❑ **BANs will be repaid with issuance of bonds in 4<sup>th</sup> quarter of 2018**

## Future Debt Issuance Plans

- ❑ Expect to issue in 4<sup>th</sup> Q of 2018: bonds to take out BANs, alternate revenue source bonds to fund harbor improvements, capital improvements and refund bonds



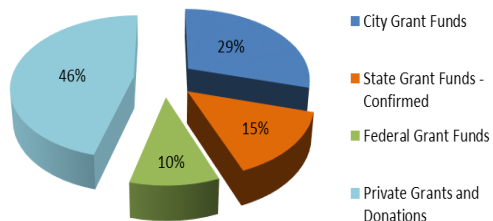
- ❑ 35% of the District's current outstanding debt is alternate revenue source bonds
- ❑ 100% of the District's outstanding debt is fixed rate
- ❑ No derivatives or swaps
- ❑ Overall, downward sloping debt profile

# Capital Improvement Plan: 2018 - 2022

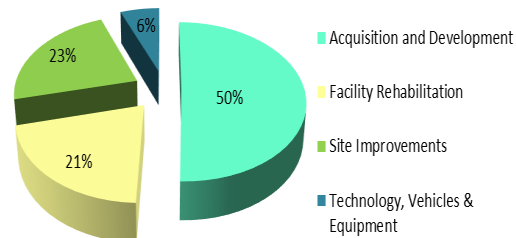


2018 - 2022 CAPITAL FUNDING SUMMARY								
Projected Sources and Uses	CHICAGO PARK DISTRICT						OUTSIDE FUNDING EXPECTED	TOTAL
	2018	2019	2020	2021	2022	2018-2022	2018-2022	2018-2022
<b>SOURCES:</b>								
General Obligation Bond Proceeds	\$ 35,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 155,000,000	\$ -	\$ 155,000,000
City Grant Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,561,000	\$ 27,561,000
State Grant Funds - Confirmed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,818,000	\$ 13,818,000
Federal Grant Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,332,000	\$ 9,332,000
Private Grants and Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,116,000	\$ 43,116,000
<b>Total Sources</b>	<b>\$ 35,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 155,000,000</b>	<b>\$ 93,827,000</b>	<b>\$ 248,827,000</b>
<b>USES:</b>								
Acquisition and Development	\$ 11,050,000	\$ 4,950,000	\$ 12,450,000	\$ 13,450,000	\$ 13,450,000	\$ 55,350,000	\$ 70,245,000	\$ 125,595,000
Facility Rehabilitation	\$ 9,775,000	\$ 11,400,000	\$ 6,125,000	\$ 5,400,000	\$ 5,400,000	\$ 38,100,000	\$ 13,395,000	\$ 51,495,000
Site Improvements	\$ 11,175,000	\$ 10,650,000	\$ 8,425,000	\$ 8,150,000	\$ 8,150,000	\$ 46,550,000	\$ 10,187,000	\$ 56,737,000
Technology, Vehicles & Equipment	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 15,000,000	\$ -	\$ 15,000,000
<b>Total Uses</b>	<b>\$ 35,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 155,000,000</b>	<b>\$ 93,827,000</b>	<b>\$ 248,827,000</b>

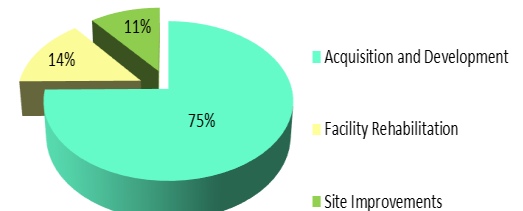
2018-2022 Expected Outside Funding by Source  
\$93.8 Million



2018-2021 Total Funding by Program  
\$248.8 Million



2018-2022 Expected Outside Funding by Program  
\$93.8 Million







## Pension: Outcome of the Litigation

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# Outcome of Park District's Pension Fund Case



## **Park District's Pension Fund Case in Circuit Court of Cook County:**

The complaint filed against the Park District's Pension Fund in *Biedron, et al. v. Park Employees' and Retirement Board Employees Annuity and Benefit Fund, et al.*, No. 2015 CH 14869 challenged the following provisions of the Article 12 Amendments to the District's Pension Code ("Public Act 98-0622"): (1) Change in Cost of Living Adjustment (the "COLA"), (2) Suspension of the COLA, (3) Change in retirement age, and (4) Change in the duty disability. Specifically, the challenged provisions (1) changed the formula used to calculate automatic annual COLA increases for both current and future retirees, (2) eliminated an automatic annual COLA increase in 2015, 2017 and 2019, (3) Increased the age at which certain employees are eligible to receive their retirement annuity, and (4) reduced duty disability benefits by one percent in 2015, 2017 and 2019.

## **The Outcome:**

On March 1, 2018, the Circuit Court of Cook County, Illinois (the "Circuit Court" or "Court"), issued an order ruling that the challenged provisions are unconstitutional because these provisions diminish and impair pension benefits in violation of Section 5 of Article XIII of the Illinois Constitution, which the Illinois Supreme Court has ruled prohibits the diminishment and impairment of pension benefits:

As a result, the Circuit Court directed the Pension Fund to pay back the increased employee contributions, which totals approximately \$4 million. The Circuit Court also considered if the remaining, unchallenged provisions of Public Act 98-0622 are severable from the foregoing unconstitutional provisions. The Circuit Court's order ruled that based on the severability clause contained in Public Act 98-0622 and under current Illinois law, the unchallenged provisions are not severable and are therefore must also be held unconstitutional.

At the March 9, 2018 status hearing the Court and all parties agreed subject to the Pension Board approval which was obtained on March 15, 2018, that the parties would prepare an Agreed Order that will permit the Pension Fund to retain the increased and supplemental contributions of the District that were made from 2015-2017. At the status hearing held on March 16, 2018, the Court allowed for a continuance and scheduled to approve the Agreed Order at the status hearing scheduled for March 21, 2018.

# Outcome of Park District's Pension Fund Case (continued)



## The Outcome (continued)

At the status hearing held on March 21, 2018, the Circuit Court of Cook County, Illinois (the "Circuit Court"), issued an order in *Biedron, et al. v. Park Employees' and Retirement Board Employees Annuity and Benefit Fund, et al.*, No. 2015 CH 14869 ruling that:

- i. the Pension Fund retains the increased and supplemental contributions of the District that were made from 2015-2017,
- ii. nothing in the Order should be interpreted as resolving the issue of the funding needed to increase the solvency of the Pension Fund,
- iii. nothing in the Order should be interpreted as relieving the stakeholders' obligation to take the necessary measures to ensure that the Fund will be able to pay promised pension benefits in the future, which the Circuit Court and the parties acknowledge will require legislative action, and
- iv. the Circuit Court urges the parties, and all stakeholders, to work diligently on crafting appropriate measures to be embodied in enforceable legislation.

The Court did not enter any judgment on damages (*i.e.*, the estimated amount of the approximate \$4 million refund of increased employee contributions and the amount of reduced duty disability benefits and prejudgment interest; there are no other "compensatory" damages). The Circuit Court set a status hearing on July 18, 2018, at 9:30 a.m.



# Future Funding of Pension Fund



## District's Mechanisms Under Consideration to Fund Future Employer Pension Contributions

- ☐ Met with labor partners regarding contract extension and pensions
- ☐ Reallocating revenue sources to maintain 2018 funds and comply with court order
- ☐ Conservative downward sloping debt profile provides flexibility to reallocate funds currently used for debt service to other uses such as funding pension (subject to PTELL limitations)
- ☐ Recapture increment of expiring TIFs and value of new property
- ☐ Expenditure reductions
- ☐ Revenue growth/management efficiencies
- ☐ Property tax increases



