

**VILLAGE BOARD
COMMITTEE OF THE WHOLE MEETING**

**FEBRUARY 16, 2015 – 7:00 P.M.
LEMONT VILLAGE HALL
418 MAIN ST.
LEMONT, IL 60439**

AGENDA

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. DISCUSSION ITEMS**
 - A. FINANCIAL OUTLOOK / CAPITAL / BUDGET DISCUSSION
(ADMIN/FINANCE)(REAVES/SNIEGOWSKI)(SCHAFFER/SMITH)**
 - B. FINANCE POLICIES AND PROCEDURES UPDATE
(ADMIN/FINANCE)(REAVES/SNIEGOWSKI)(SCHAFFER/SMITH)**
 - C. WATER SYSTEMS NEEDS ANALYSIS PSA DISCUSSION
(ADMIN/PW/P&ED)(REAVES/BLATZER/STAPLETON)(SCHAFFER/PUKULA/JONES)**
 - D. RTA DEVELOPER PANEL REPORT DISCUSSION**
- IV. UNFINISHED BUSINESS**
- V. NEW BUSINESS**
- VI. AUDIENCE PARTICIPATION**
- VIII. ADJOURN**

Village Board Agenda Memorandum

To: Mayor & Village Board

From: George Schafer, Village Administrator
Chris Smith, Finance Director

Subject: Financial Outlook/Capital/Budget Discussion

Date: February 16, 2015

BACKGROUND/HISTORY

On January 14, 2015 the Village Board discussed the FY16-FY20 Capital Improvement Plan. At the February 16, 2015 Committee of the Whole staff will present the Financial Outlook, finish the Capital Plan review and outline FY16 Budget discussions.

The attached slide presentation depicts that the overall economy is growing and national/local revenue sources are beginning to improve. Staff continues to monitor Illinois economic issues due to the fact that many State funded programs and Income Tax funding could be eliminated.

The February 16th meeting is the beginning of the FY16 Annual Operating Budget. Staff continues to review department requests and funding. The full proposed FY16 Annual Operating Budget will be on line for review the first week in March and the Board will discuss it at the March 16th Committee of the Whole meeting.

ATTACHMENTS (IF APPLICABLE)

1. Slide Presentation

Financial Outlook

LEMONT
FEBRUARY 16, 2015

AGENDA

- ✘ National/State Overview- GDP unemployment
- ✘ Housing Market
- ✘ Financial Condition- State, City, Village
- ✘ Proposed Capital Expenditures
- ✘ Mid to Long Term Financial Challenges
- ✘ Next Steps

NATIONAL/STATE/ REGIONAL OVERVIEW

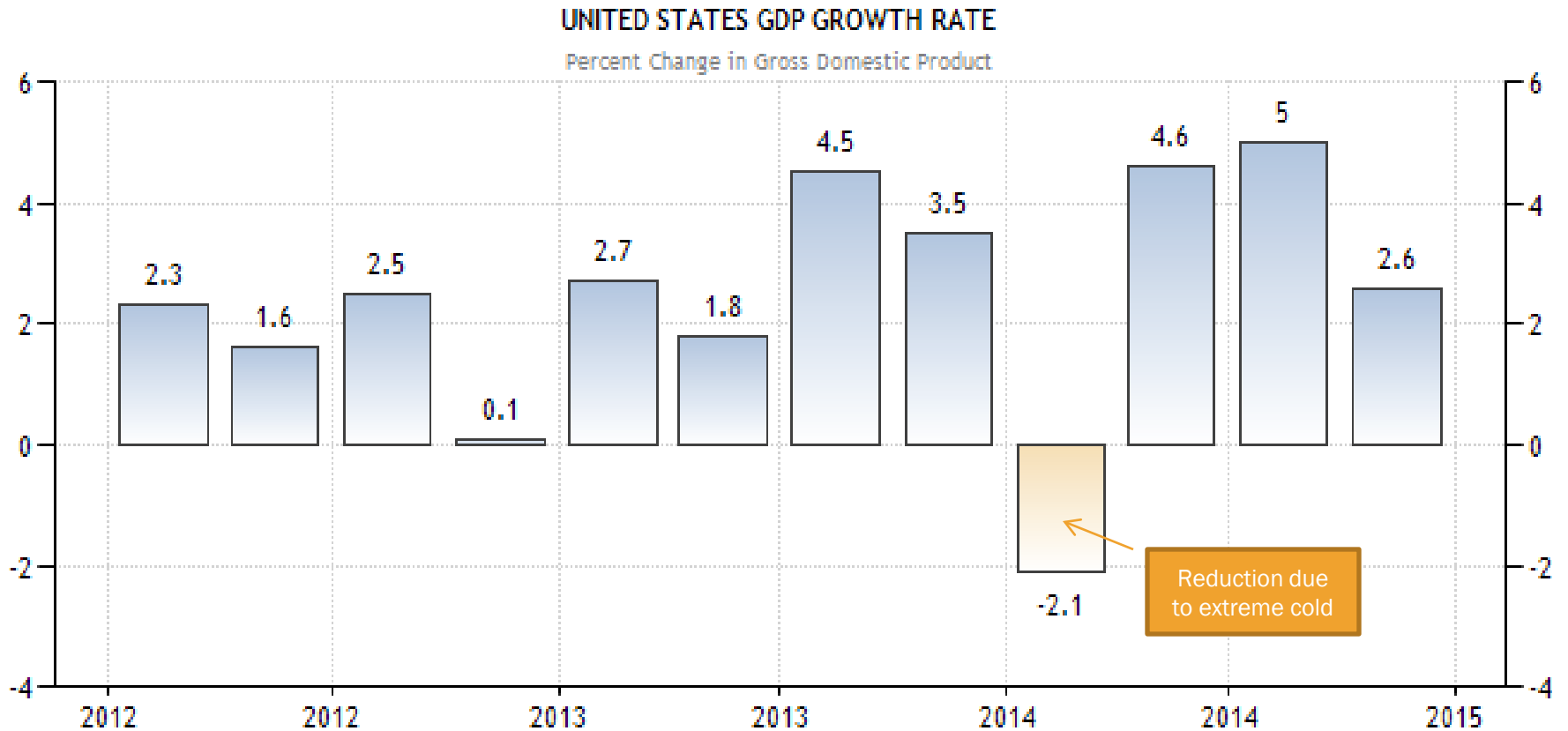
ECONOMIC OUTLOOK

- ✘ January 2015 unemployment rate 5.7%,
- ✘ Inflation remains below 2%- Feds are not looking to raise interest rates if inflation remains low; however some economists believe mid 2015 some say unlikely
- ✘ “The labor market was about the last thing to recover from the Great Recession, and in the last six months it has picked up steam,” said [Bill Hampel](#), chief economist at the [Credit Union National Association](#)

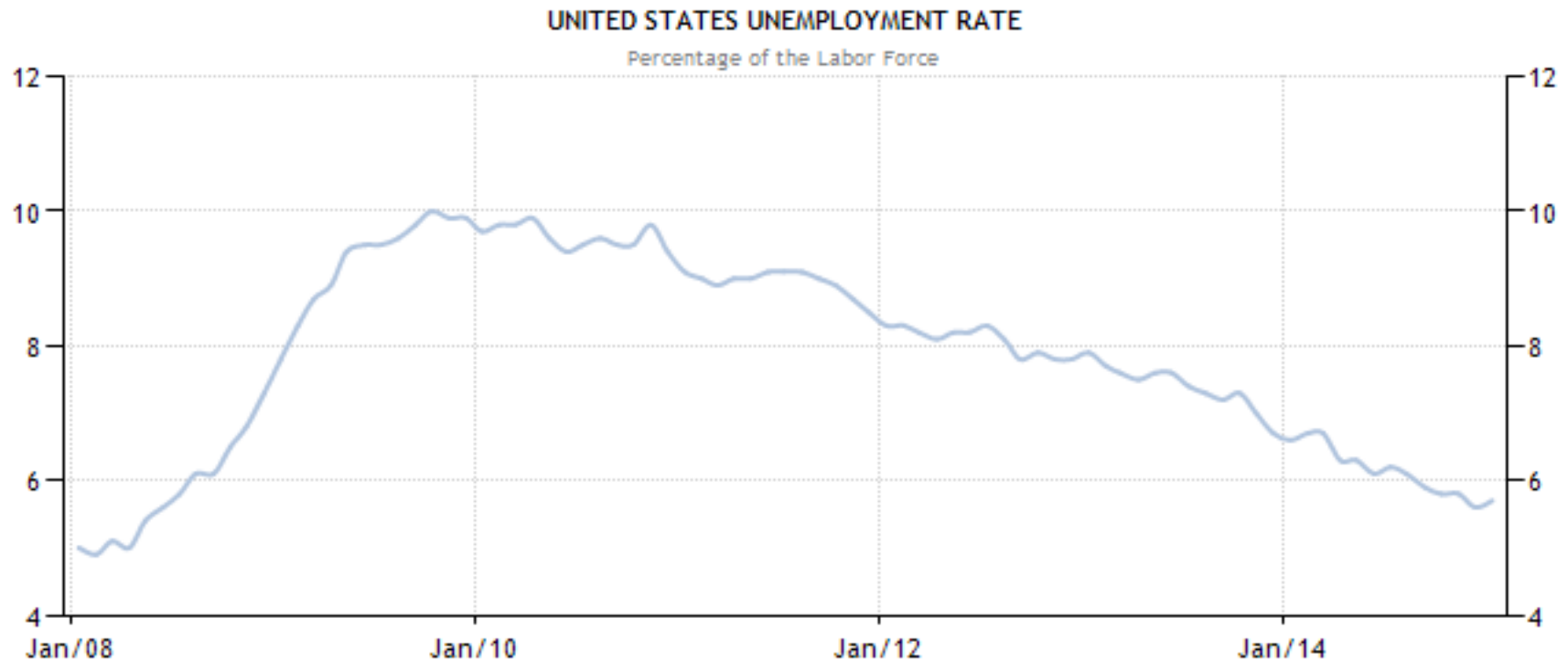
ECONOMIC OUTLOOK

- ✘ “The Conference Board reported Tuesday that its consumer confidence index climbed this month to 102.9, highest level since August 2007 — four months before the start of the Great Recession. January's figure was up from a revised 93.1 in December.” US News, Paul Wiseman Jan. 27, 2015
- ✘ Housing market slow in rate of gain; however, 2015 expectations are strong due to increasing credit scores, consumer confidence, lower unemployment etc. Raising interest rates may affect this recovery.

GDP fourth quarter 2014 grew 2.6%- 2015 growth is expected to be around 3%



UNEMPLOYMENT RATE



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

Unemployment rate continues to decline

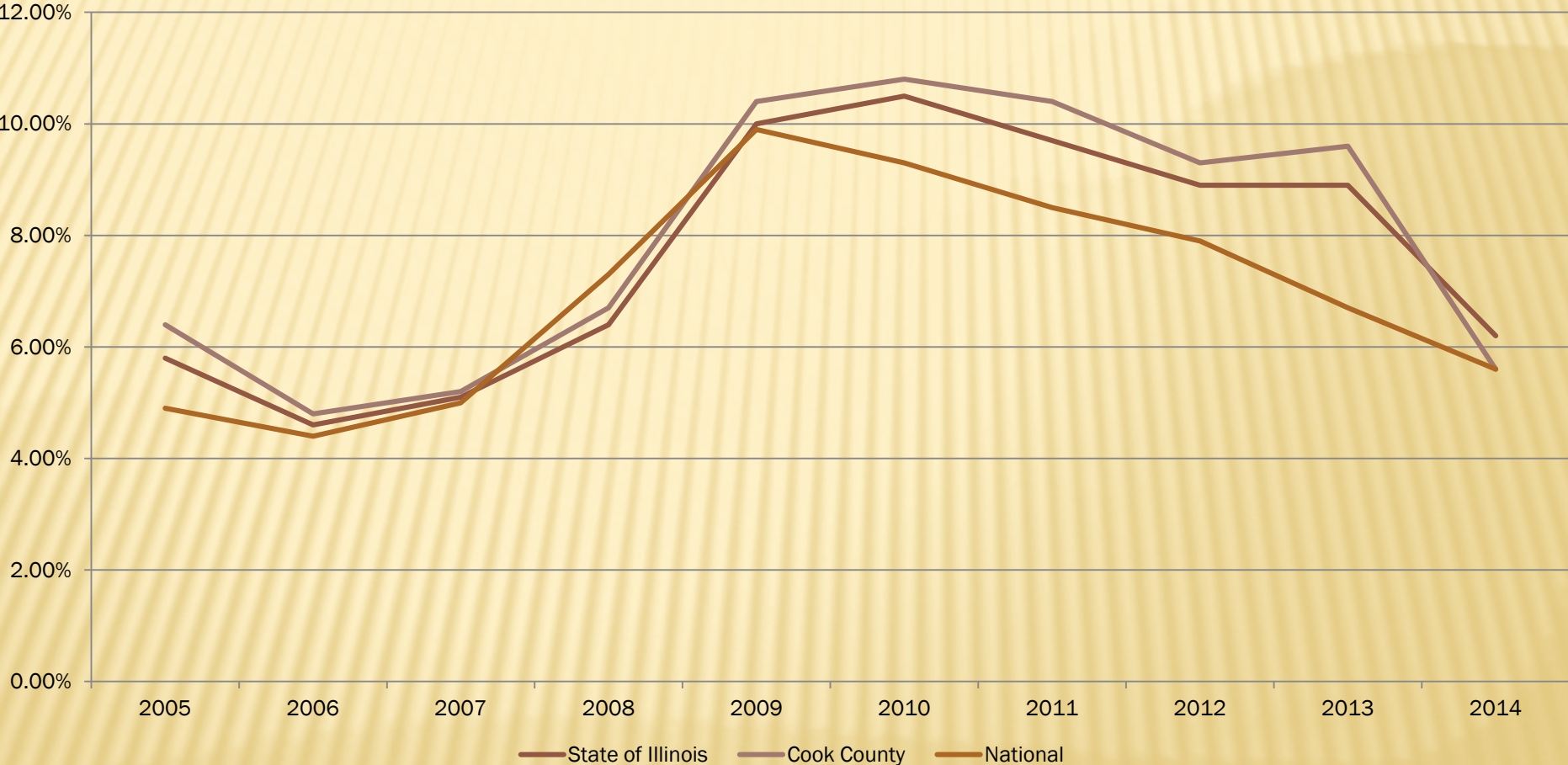
“US jobless rate increased to 5.7 percent in January of 2015 from 5.6 percent in the previous month as more unemployed started looking for work.”

tradingeconomics. com

JOB GROWTH

- ✘ January 2015 jobs created = 257,000
- ✘ November = 423,000 December = 252,000
- ✘ Pace of job growth over the past three month was the fastest in 17 years. *Business Insider, Christopher Rugaber*
- ✘ 21 States raised the minimum wage on January 1st

UNEMPLOYMENT RATE COMPARISON



Note: Il and National is seasonally adjusted - Cook County is not.

HOUSING MARKET

HOUSING MARKET

- ✘ The Case-Shiller Home Price Index may be up 25% since the beginning of 2012, but it still needs to climb an additional 20% just to break even with its pre-recession levels.
- ✘ 2015 Housing Forecast: Recovery Will Continue

Housing Expectations for 2015

Housing Outlook

Existing Home Sales:

↑ **7.4%**

Median Home Prices:

↑ **4.0%**

New Home Sales:

↑ **37%**

Rents:

↑ **4.0%**

↑ GDP: 3.1

↑ Housing Starts: 23.3%

Home values



↑ **25%**

over the past 3 years, bolstering confidence and building equity. Fewer underwater home owners and distressed sales are also helping home values.

Potential Speed Bumps



Mortgage rates rising



Mortgage accessibility remains tight



First-time home buyers constrained



Lock-in effect of low interest rates



NATIONAL ASSOCIATION of REALTORS®

LEMONT



FINANCIAL CONDITIONS- STATE, CITY, VILLAGE

ILLINOIS ISSUES

- ✘ State unpaid bills
- ✘ Income tax increase was reduced in 2015- \$4 billion hit
- ✘ Pension and OPEB Liabilities
- ✘ Challenges- Promises
 - + Expiration of income tax increase
 - + Property tax freeze
 - + Support for Education

ILLINOIS INCOME TAX

Table 1: Illinois Tax Rates

	Pre-2011	2011 to 2014	2015 to 2024	2025 and after
Individual Income Tax Rate	3.0%	5.0%	3.75%	3.25%
Corporate Income Tax Rate	7.3%	9.5%	7.75%	7.3%

Source: 35 ILCS 5/201(b); 35 ILCS 5/201.5; 35 ILCS 5/201(d).

CHICAGO

✘ Chicago pension issues

+ Overlapping governments with pension issues

- ✘ Chicago Public Schools
- ✘ City of Chicago
- ✘ City's share of Cook County

✘ Chicago is 72% of Illinois economy

✘ Good news

- + JLL (formerly Jones Lang LaSalle) ranked Chicago 8th in the world for commercial real estate investment in 2014 (\$9.1 billion)
- + Residential building permits in the city increased to 4,522 units in September 2014, a 49.8% improvement compared to the same time period last year.
- + Passenger volume for O'Hare and Midway Airports grew by 187,537 people, a 2.5% YOY change since September 2013

AFFECT LOCAL GOVERNMENTS

- ✘ Fiscal condition of Illinois and Chicago will affect local governments in borrowing costs
 - + Rating Analysts claim that the condition of the state will affect the local governments by support
- ✘ Illinois budget deficit has affected Lemont with the delay in Income Tax payments and fear of reduction
 - + Uncertainty of this revenue for local governments continues to be a factor
- ✘ Many grants and expenditures are on hold due Governor Rauner's Executive Order 15-08

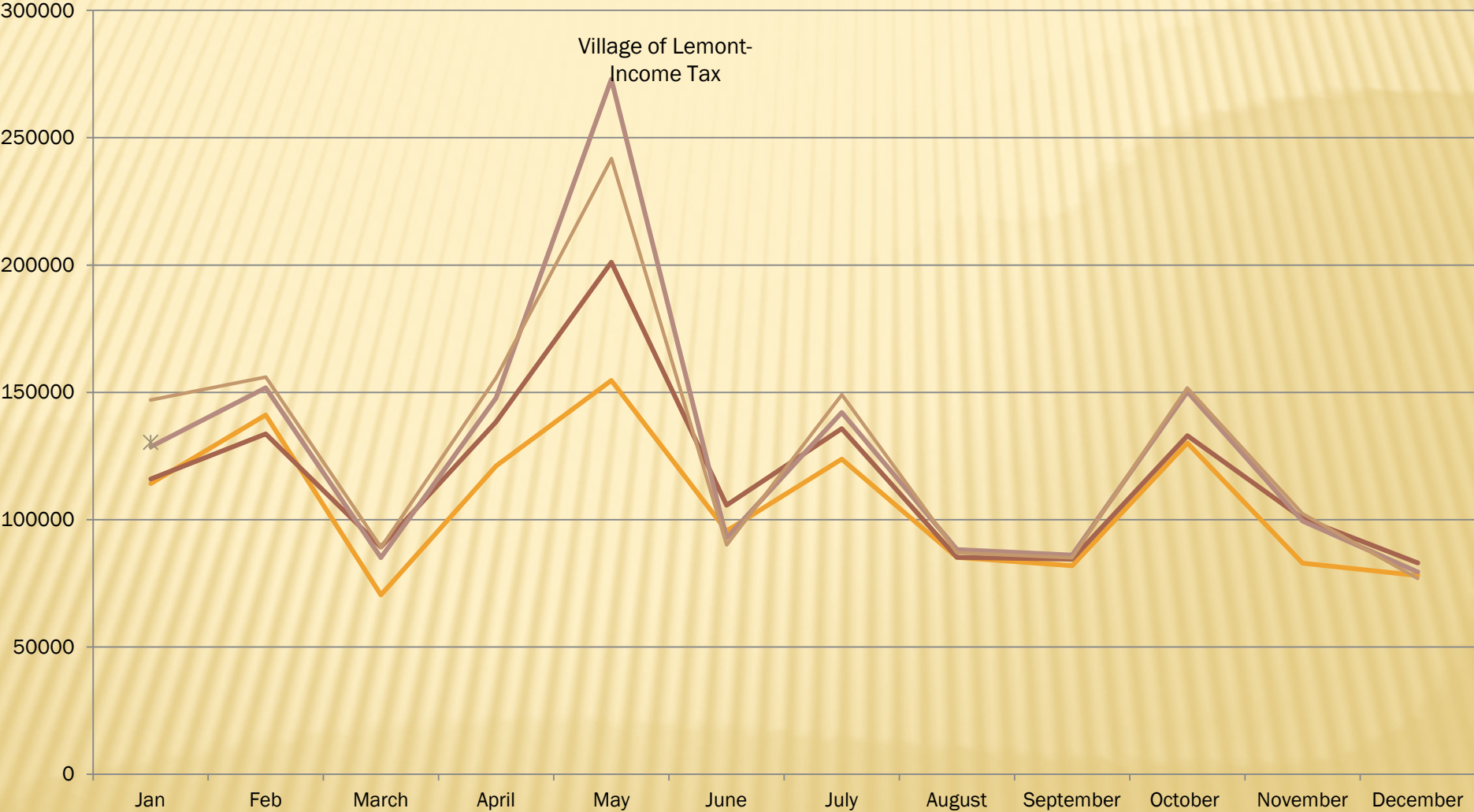
LEMONT- STATE SHARED REVENUE PER PERSON (16,000)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Income Tax	67.63	76.35	84.22	92.02	91.08	79.38	77.90	81.44	90.12	97.46	97.00	99.00
Motor Fuel Tax	29.01	28.91	28.93	28.07	26.33	25.06	25.40	24.80	24.03	24.56	24.30	23.80
State Use Tax	10.22	11.88	12.91	13.57	14.44	11.91	13.73	14.71	15.92	17.06	18.50	19.40
Total Per Capita	106.86	117.14	126.06	133.66	131.85	116.35	117.03	120.95	130.07	139.08	136.00	142.20

IML Estimates

State is only a little over a month behind in sending the Income Tax

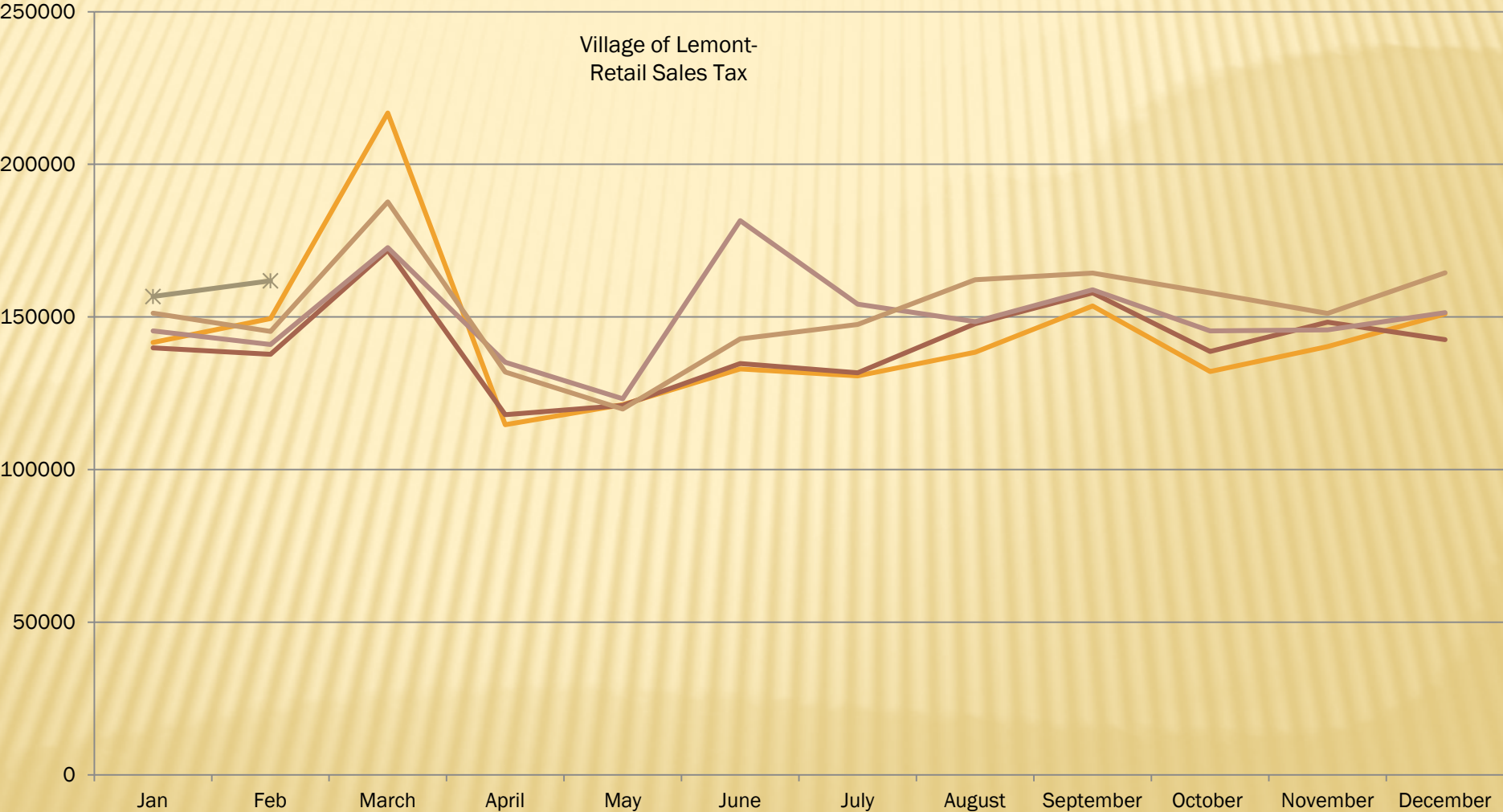
LEMONT- INCOME TAX



Source: Illinois Department of Revenue Website

— 2011
 — 2012
 — 2013
 — 2014
 —* 2015

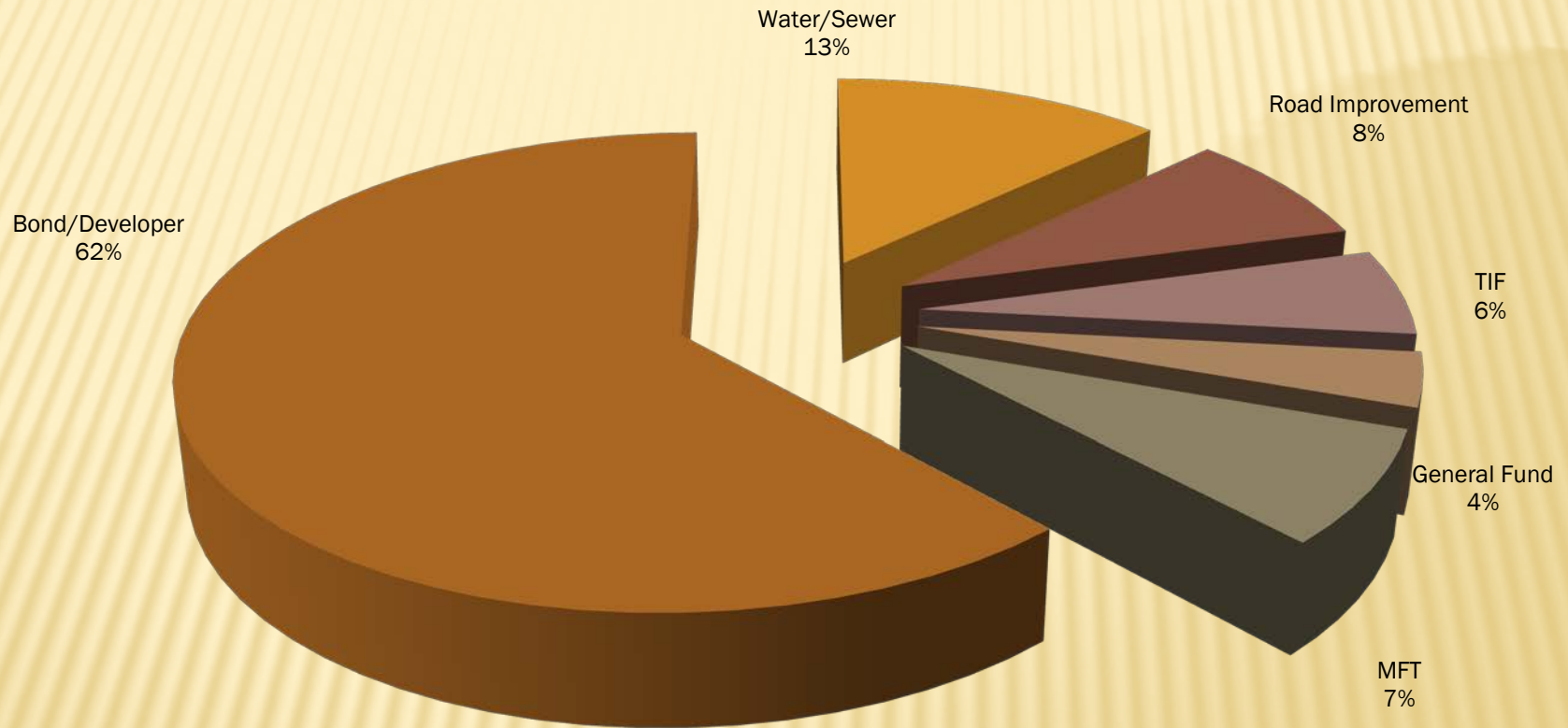
LEMONT- RETAIL SALES TAX



Source: Illinois Department of Revenue Website

PROPOSED CAPITAL EXPENDITURES

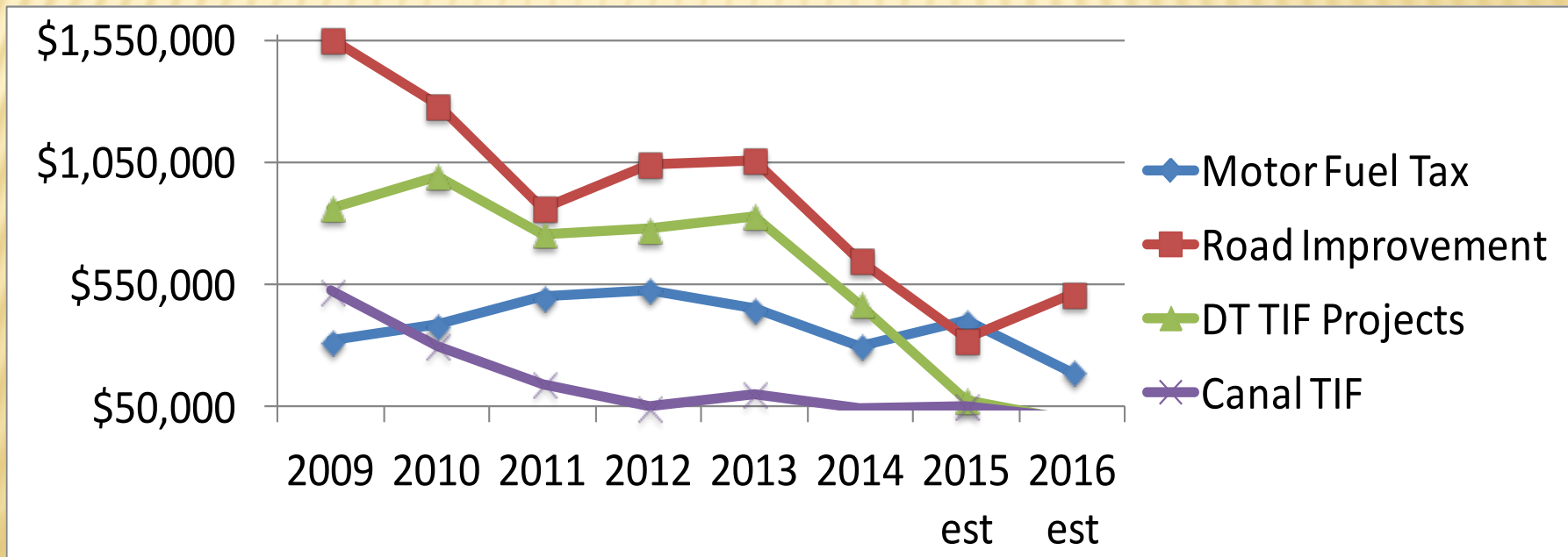
FY16 PROPOSED CAPITAL PROJECTS



CIP NAME	FY16	FY17	FY18	FY19	FY20	Funding Sources
Stephen Street Water Main Replacement-North of River Street - Phase I	80,000	-	-	-	-	User Fees
Annual Sanitary Sewer Cleaning & Televising Program	39,000	39,000	39,000	39,000	39,000	User Fees
Water Supply Study Update	25,000	-	-	-	-	User Fees
Buffett Harbor Detention Rehabilitation	23,000	-	-	-	-	User Fees
Annual Water Main Replacement Program	1,050,000	570,000	570,000	570,000	570,000	Bond/Developer
Bell Road Utility Extension	1,997,000	-	-	-	-	Bond/Developer
Chicago First Church of the Nazarene Utility Extension	550,000	-	-	-	-	Bond/Developer
IMTT Culvert Replacement	490,000	-	-	-	-	Developer
Keepataw - Hillview Storm Drain Replacement and Re-Route	90,000					User Fees
Annual MFT Road Resurfacing & Pavement Marking Program	445,000	710,000	710,000	710,000	710,000	User Fees
I&M Canal Water Enhancement: West of Ed Bossert Dr to Stephen St	345,000	-	-	-	-	TIF
I&M Canal & Centennial Cal-Sag Trail	145,000	80,000	80,000	1,360,000	480,000	Taxes/Grants
McCarthy Road Bike Paths: Illinois St to Walker Rd	145,000	120,000	850,000	300,000	-	Taxes/Grants
ComEd Right-of-Way Community Bike Trail: Derby Rd to Bell Rd	145,000	120,000	890,000	360,000	-	Taxes/Grants
Sidewalk Repair	25,000	25,000	25,000	25,000	25,000	Taxes/Grants
Emerald Ash Borer (EAB)	150,000	150,000	150,000	150,000	150,000	Taxes
New Wayfinding Signs - Downtown	30,000	-	-	-	-	Taxes
School Sidewalks	25,000	25,000	25,000	200,000	370,000	Taxes
Bike Route Signs	10,000	5,000	-	-	-	Taxes
Castle Bowl Drainage Channel Repairs - North of Logan Street	-	23,000	-	-	-	Developer
Annual CDBG Block Grant Program	-	230,000	230,000	230,000	230,000	Grants
Illinois Street & Pruyne Street Water Main Replacement	-	300,000	-	-	-	User Fees
Stephen Street Water Main Replacement, North of River St.-Phase 2	-	148,000	-	-	-	User Fees
Stephen Street Resurfacing: Illinois St. to BNSR Railroad Viaduct	-	385,000	-	-	-	Taxes
Stephen Street Brick Paver Replacement-Illinois St to River St	-	475,000	-	-	-	Taxes
IL Route 83 and Main Street Pathways by IDOT	-	90,352	-	-	-	Grants
Gateway Signs	-	100,000	100,000	100,000	100,000	TIF
I&M Canal - South Side Landscaping	-	428,500	-	-	-	TIF
I&M Canal Wall Restoration: Ed Bossert Dr to Stephen St	-	345,000	-	-	-	TIF
Downtown Gateway	-	100,000	-	-	-	Taxes
Bridge Repairs		255,000				Taxes
Stephen Street Overlook	-	-	490,500			TIF
	\$ 5,809,000	\$ 4,723,852	\$ 4,159,500	\$ 4,044,000	\$ 2,674,000	

FUND BALANCE- PROJECT FUNDS

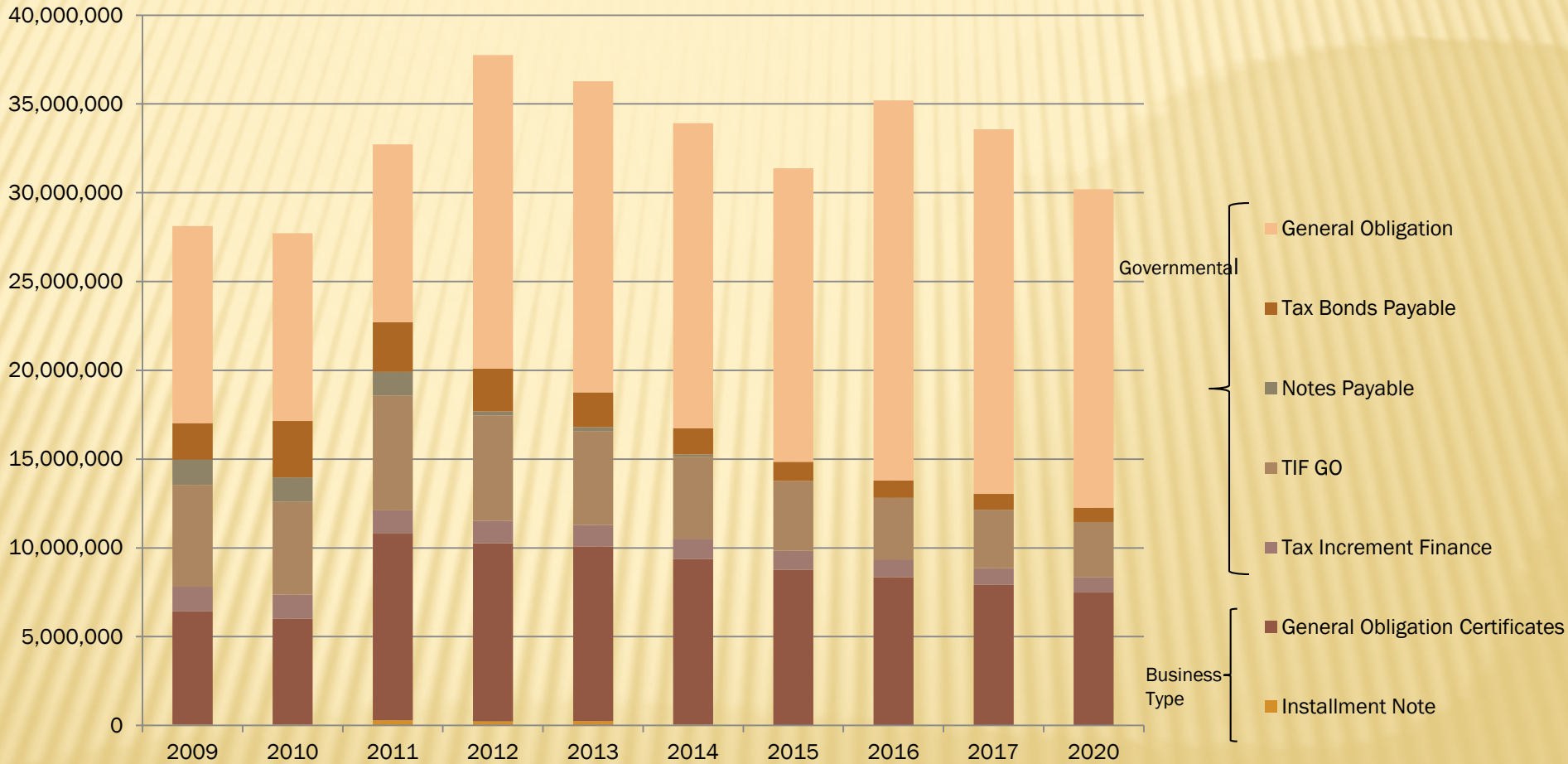
Description	2009	2010	2011	2012	2013	2014	2015 est	2016 est
Motor Fuel Tax	324,024	388,798	500,794	530,790	451,935	302,711	403,033	197,233
Road Improvement	1,556,308	1,288,039	864,754	1,047,928	1,064,620	654,631	328,561	512,536
Downtown TIF	864,771	997,920	760,398	781,490	835,040	475,178	82,500	0
Canal TIF	528,269	302,529	147,232	51,695	107,018	42,333	57,507	2,551



LONG TERM LIABILITIES

- Long Term Liabilities
 - Total debt outstanding
 - Governmental Activities: \$21 million
 - Business-type Activities (W&S): \$8.8 million
 - Estimated New Issuance \$5.7 million

TOTAL DEBT SERVICE GOVERNMENTAL AND BUSINESS



Existing outstanding debt payoff
schedule and proposed 2016
Water /Sewer Issue

BOND ISSUANCE- ADVANCED REFUNDING AND NEW MONEY

- ✘ Advanced Refunding-
 - + 2007- Police Station Bonds- savings PV \$240,000
 - + 2007A- Parking Garage- savings PV \$90,000
- ✘ New Money- \$5.7 million
 - + 15 years Net Interest Cost 2.8%

 - + Assumption keep bond rating at Aa2

MID TO LONG TERM FINANCIAL CHALLENGES

REVENUE STREAMS

- ✘ General Fund
 - + Revenues moderate growth
 - ✘ Retail Sales Tax- 3%
 - ✘ Income Tax- based on IML- unknown if continued
 - + Continued challenges with expenditures
- ✘ Limited revenue streams for non-matching capital projects- as discussed
 - + Storm detention (storm water fee)
 - + Emerald Ash Borer (EAB)
 - + Road Re-surfacing- MFT continues to be reduced
 - + Road Re-construction
 - + New projects (roads, paths, etc..)

POTENTIAL CHANGES IN PROCESSES/SERVICES

- ✘ RPZ Valve Admin
- ✘ Printing Cost Reduction
 - + Newsletter
 - + Vehicle Stickers – information
 - + Utility E-Bill
 - + Virtualization of Computers
 - + Increase Social Media

NEXT STEPS

STEPS TO THE VILLAGE'S BUDGET PROCESS

October 20, 2014

Committee of the Whole discussion on Tax Levy

November 9, 2014

Strategic Planning Session

November 14, 2014

Publish Tax Levy estimates

November 24, 2014

Hold a public hearing on the property tax levy

January-March 2015

Committee of the Whole discussion on FY16 Budget

January 14, 2015

Committee of the Whole discussion on Capital Improvement Plan

October-January 2015

Staff compiles Capital Improvement Plan and FY16 Budget

December 8, 2014

Adopt the property tax levy ordinance

March 9 and March 23, 2015

Hold a public hearing on the FY16 Annual Budget

March 23, 2015

Adopt a Resolution on the Capital Improvement Plan

April 13, 2015

Adopt the FY 16 Annual Budget

May 2015

File the Ordinances with the Counties

CAPITAL IMPROVEMENT / BUDGET

- ✘ 03/09/15- Hold public hearing on Operational Budget
- ✘ 03/16/15- Finish Operational Budget Discussion
- ✘ 03/23/15- Hold an additional public hearing on the Operational Budget- Adopt CIP resolution (Can begin bidding construction contracts)
- ✘ 04/13/15- Pass Budget Ordinance

Village Board Agenda Memorandum

To: Mayor & Village Board

From: George Schafer, Village Administrator
Chris Smith, Finance Director

Subject: Village of Lemont- Finance Policies and Procedures Update

Date: February 16, 2015

BACKGROUND/HISTORY

Comprehensive Financial Policies were adopted by the Board in 2011. Over the last several months finance staff reviewed the policies and are recommending various changes. In all policies we eliminated the word “Assistant” due to the fact that the Village no longer has an Assistant Village Administrator. Additionally, we are adding the Police Pension Fund policies to the document. The changes are as follows:

Budget Policy-

1. Finance Director was added to the budget process.
2. Updated the timeline to include New World into the process
3. Updated the Capital Planning process

Purchasing Authority Policy and Procedures-

1. Changed title of the report that is sent to Village Board- Payment Register
2. Reduced the amount when a purchase order is required- original amount \$10,000 now \$2,500
3. Eliminated the Overnight Travel Section it is now located in the Personnel Manual

Purchase Card Policy and Procedures-

1. Change this section to mirror the current program that was implemented and approved by the Board in September 2014

Fund Balance Policy-

1. Eliminated the range of General Fund unassigned fund balance - from 10-40% to 30%
2. Defined 30% of expenditures

Revenue and Cash Management Policy-

1. Enhance the Escrow section to include a process for Impact Fees.

RECOMMENDATION

Review the changes and authorize staff to present the Village Board with an ordinance adopting the Financial Policies

ATTACHMENTS (IF APPLICABLE)

1. Finance Policies and Procedures

Village of Lemont
Budget Policy
Adopted: March 2015

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A. Village Mission Statement

The Village of Lemont is dedicated to promoting and preserving the character of the community and ensuring a high quality of life through professional public service provided in a friendly, consistent, and fiscally responsible manner, emphasizing the best interest of the community as a whole.

B. Budget Principles

The Village of Lemont Budget Policy is based on a set of fundamental principles designed to maintain an organization with a strong financial condition and a proactive approach to serving the needs of its citizens. Adherence to these principles will enable the Village to provide services in a cost-effective manner in both good times and in periods of sustained economic downturn and uncertainty. These principles include:

1. The Village budget shall reflect a long-term perspective and incorporate policies and management strategies to achieve the Village's long-term goals.
2. The Village budget process shall identify broad organizational goals and link the departmental spending plans directly to the accomplishment of these goals.
3. The Village shall publish an annual budget which serves as a communication tool, demonstrating the Village's accountability for the sources and uses of public funds and providing an operations guide to assist personnel in the responsible management and application of these resources.
4. The focus of budget decisions will be on results and outcomes. The Village will continually monitor its financial condition, performance relative to the adopted budget, and stakeholder satisfaction with programs and services and make adjustments as needed.
5. The budget shall be designed to promote involvement from citizens, staff, local businesses and other interested stakeholders. The annual budget shall be provided in its entirety on the Village's web-site, and the Village will annually exceed statutory requirements for public discussion and deliberation on the budget.
6. The budget will be prepared on the current financial resources measurement focus for all funds, using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise and internal service funds.

C. Budget Process

The Village of Lemont has adopted the budget system for managing Village finances in accordance with Illinois Compiled Statutes 65 ILCS 5/8-2-9.1-10 as documented in Ordinance 0-23-11. The budget process consists of activities that encompass the development, implementation and evaluation of the budget process, including:

Village of Lemont
Budget Policy
Adopted: March 2015

1. *Strategic Plan* – The Mayor, Village Board and Village Administrator will establish broad goals that provide overall direction for the government. This will be completed at the beginning of each budget cycle. These goals will serve as a framework for decision making. The strategic plan shall include the identification of opportunities and challenges for government services, capital assets, and management.
2. *Budget Preparation* – in accordance with Illinois Compiled Statutes, the Mayor shall appoint a Budget Officer. The Budget Officer is responsible for coordinating the overall preparation and administration of the Village budget. The Department Heads have primary responsibility for formulating budget proposals that support the priorities and direction provided by the Village Board. The Budget Officer will assist the Department Heads in identifying budget problems, formulating solutions and alternatives, and implementing any necessary corrective actions.
3. *Balanced Budget* – the Village shall adopt a balanced operating budget, which is defined as a budget where projected revenues are equal to budgeted expenditures within the current fiscal period. Capital projects funds and other projects funded from existing resources (e.g., fund balances) are excluded from this policy.
4. *Performance Budgeting* – performance measures will be utilized and reported in department budgets. The Village will prepare historical trends and comparisons to other municipalities, and use other financial management tools to monitor and improve Village services.
5. *Budget Calendar* – the Village Board of Trustees shall adopt a Budget Ordinance, including a budget for all funds utilized by the Village, within the first quarter of each fiscal year, in accordance with the following timeframe:
 - a. Strategic Planning Session- the Mayor, Village Board of Trustees, Village Administrator, and Department Heads will attend a strategic planning session to outline long-term goals and provide overall direction for the Village. This will be held in December.
 - b. Department Head Budget Memo- the Budget Officer prepares a Department Head Budget Memo, outlining the Village’s strategic goals and informing the departments of the upcoming budget requirements. This will be distributed to the Department Heads by December 31.
 - c. Budget Kick-Off Meeting- the Finance Department hosts a budget kick off meeting.. The meeting includes instructions on entering in estimates for current budget year and department requests. Additionally, new personnel forms are distributed. Completed forms and budget entries are due to the Finance by early January .
 - d. Capital Planning Meeting- An access database has been created for the Village of Lemont 5 year capital plan. The Finance Department sends out the updated Access

Village of Lemont
Budget Policy
Adopted: March 2015

- file to all departments. Departments entered their requests for Capital over the next five years. The Budget Officer meets with the Village Engineer, the Building staff, Planning staff and Public Works staff to review the proposed capital projects for the next fiscal year and as well as the 5 year capital project plan. This meeting will be held by January 31.
- e. Committee of the Whole Meeting (Budget Guidance)- the Budget Officer and Finance Director will present the initial budget estimates, revenue projections, and capital project plans for discussion by the committee at the February meeting.
 - f. Department Head Budget Session- in February the Budget Officer will meet with the Department Heads to review initial budget projections and seek input from Department Heads.
 - g. Finance Committee Meeting- the Budget Officer presents the tentative budget to the Finance Committee for review by early March.
 - h. Committee of Whole Meeting (Tentative Budget)- the Budget Officer presents the tentative budget for discussion at the Committee of the Whole meeting in March.
 - i. Public Inspection- the Village will announce that the tentative budget is available for public inspection, available on the Village website in mid March. The Village is required to make this available for public review for a minimum of 10 days.
 - j. Public Hearing- the Village will conduct a public hearing on the budget in early April. Notice of this hearing will be published at least 10 days prior to the hearing.
 - k. Board Approval- the Budget Officer will present the final budget to the Board of Trustees by April 30 for approval.
 - l. County Clerk Filing- the Village shall file a certified copy of the budget with the County Clerk's office for the counties of Cook, DuPage, and Will within 30 days of the adoption of the budget ordinance.
6. *Budget Monitoring* – the Finance Department will maintain a system for monitoring the Village's budget performance. Interim financial reports comparing actual experience against budgeted revenues and expenditures in the current fiscal period shall be distributed and reviewed with the Village Board on a quarterly basis. The Finance Department will also provide monthly reports comparing actual experience against budgeted revenues and expenditures in the current fiscal period to Department Heads. The Department Heads have primary responsibility for ensuring their departments stay within their annual adopted budget.

Village of Lemont
Budget Policy
Adopted: March 2015

7. *Budget Adjustments and Amendments* – during the course of the year, the Village may determine that a significant individual purchase or other unplanned event may cause a budgeted account to exceed the budgeted amount. The Village may adjust the original budget using one of the following methods:
 - a. Budget adjustment – this involves a reallocation of existing appropriations and does not change the Fund’s overall budget. In accordance with the budget officer ordinance adopted by the Village, the Department Heads are authorized to delete, add to, change or create subclasses within object classes budgeted previously to the department, subject to the prior approval of the Budget Officer and the Village Administrator, or the Mayor, in the event the Village Administrator is the Budget Officer.
 - b. Budget amendment – this provides an addition to or reduction of existing budget authority which results in a change to the Fund’s bottom line. This type of change requires an ordinance that amends the original budget and states the sources of funding for the incremental for the change. At least quarterly, the Budget Officer will prepare a formal resolution for filing with the County Clerk which will include all of the quarter’s amendments passed by motions and presented to the Village Board for approval.
8. *Distinguished Budget Presentation* – the Village will seek to prepare its budget based on the requirements of the Government Finance Officers Association’s (GFOA) Budget Presentation Award program.

D. Revenue Policies¹

The Village must be sensitive to the balance between the need for services and the Village’s ability to raise fees, charges, and taxes to support those services. The Village revenue estimates are to be conservatively forecasted and include the following principles:

1. *Mix of revenues* - the Village should strive to maintain a stable and diverse mix of revenues in order to balance the sources of revenue and protect against short-term fluctuations in any one revenue source.
2. *Charges for services* - the Village shall have fees for services that benefit specific users established in such a manner which fully support all direct and indirect costs associated with providing the service. Departments that impose fees or service charges should prepare and periodically (i.e., annually) update cost-of-service studies for such services.
3. *One-time revenues* - the Village shall avoid the use of one-time or otherwise intermittent revenues to support on-going operational costs.
4. *Grant Agreements* - the Village shall explore the award of various local, State and/or Federal grants to support one-time capital or non-recurring expenditures. Prior to application and again prior to acceptance, the Village will review the grant agreement to

ensure matching requirements are reasonable and attainable, and ensure compliance with regulatory requirements is possible.

5. *Monitoring changes* - the Village will monitor changes in key revenues on, at a minimum, a quarterly basis, and report on significant changes in collections or emerging trends.

E. Operating Expenditure Policies¹

It is important that the Village maintain an adequate and effective cost analysis and containment program.

1. *Public Stewardship* – the Village shall maintain a level of expenditures which will provide for the public well being and the safety of the residents of the community.
2. *Current resources* – the Village shall strive to pay for current operating expenses from available operating revenues.
3. *Full cost allocation* – the Village budget shall reflect the full cost of providing services and avoid practices which balance current costs at the expense or detriment of future years, such as deferring or postponing necessary expenses.
4. *New programs and services* – the Village should avoid the implementation of new programs or services without the identification of a dedicated revenue stream to pay for them.
5. *Employee Staffing* – the Village shall allocate staff and resources necessary to safely, effectively and efficiently meet the needs of its citizens. Any changes to staffing and resource levels shall be consistent with the overall goals and priorities of the Village Board.
6. *Employee pension plans* – the Village shall provide for the responsible and timely funding of required employee pension plans in accordance with accepted actuarial standards and practices.

F. Capital Investment Policies¹

The capital assets of the Village and their condition are critical to the quality of services provided and are therefore an important part of determining whether the needs and priorities of stakeholders can be met. The Village maintains a 5 year capital improvement plan which serves as an integral part of budget preparation.

1. *Capital replacement* - the budget shall provide a systematic approach for the replacement of Village equipment and infrastructure which include funding replacement of these assets over their anticipated useful life. The Village should assess the issues, challenges and

Village of Lemont
Budget Policy
Adopted: March 2015

opportunities affecting the provision of capital assets in the future, including community needs and priorities, the impact of deferred maintenance, funding issues, changes in technology, and any legal or regulatory changes.

2. *Capital project proposals* – the Village should include project cost estimates for the Capital Budget that are based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project.
3. *Operating cost impact* - Proposals shall include all reasonable attainable cost estimates for operating and maintenance costs necessary for the life cycle of the asset.
4. *Comprehensive resource plan* – the plan should include the amount and type of resources required, a timeline, and financing strategies to be employed. The resources should be differentiated by phase of the project, where applicable.
5. *Budget cost* – capital projects will be budgeted at the full estimated cost of completing the project, or unique phase for larger projects, in the year the project is expected to be started.
6. *Contingencies* – the Village shall include a reasonable amount for contingencies for each project award in the budgeted amount. The amount set aside shall correspond with industry standards and shall not exceed 10%.
7. *Multi-year projects* – capital projects that are not expensed during the budget period may be re-budgeted or carried over to the next fiscal period. Multi-year projects with unexpended funds will be carried over to the next fiscal period.
8. *Capital project funding* - A capital project will not be budgeted unless there is a reasonable expectation that funding is available.

G. Investment and Debt Policies¹

The Village investment and debt issuance policies are designed to maintain a strong financial condition and incorporates the following principles:

1. *Asset Preservation* – Preservation and safety of assets is a higher priority than return on investments. Therefore, the Village will seek a reasonable return on its investments while also preserving the original capital investment. The Village maintains an Investment Policy, approved by the Village Board of Trustees and updated annually.
2. *Debt Issuance* – the Village will strive to keep a strong bond rating by monitoring and improving its financial stability. Before debt is issued, consideration will be given to:
 - a. Whether the revenue stream is available to repay debt.
 - b. Alternate methods of financing.

- c. Whether it would not be cost effective to delay issuing debt.

H. Reserve Policies¹

The Village will maintain adequate reserves in order to reduce the potential need to borrow to fund operations or abruptly reduce services during periods of economic downturn or other emergencies. It will also place resources into reserve for long-term capital needs and pension obligations. To accomplish these goals, the Village has specified specific reserve requirements in several funds. These detail requirements are incorporated in the Village Fund Balance Policy.

FOOTNOTES:

1. See the following Village Policies at www.lemont.il.us:
 - a. Village Revenue and Cash Management Policy
 - b. Village Purchasing Authority Policy
 - c. Village Capital Asset Policy
 - d. Village Investment Policy
 - e. Village Debt Policy
 - f. Village Fund Balance Policy
 - g. Police Pension Fund- Investment Policy
 - h. Police Pension Fund-Actuarial Funding Policy

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A. Purpose

The purpose of this policy is to provide the Village of Lemont staff with guidelines and directions for the acquisition of goods and services. When used with good judgment and common sense, the policies and procedures conveyed within will allow the Village to obtain required supplies and services efficiently and economically.

Employees are expected to read this policy and provide the Finance Department with feedback regarding the policies and procedures contained within. This policy is designed to be a fluid document and will be modified from time to time to conform with changes in legislation, technology and actual practice. Although it may not answer every question related to purchasing practices, it does provide general guidelines for purchasing activities. Employees who need help dealing with specific situations not covered by the manual should contact the Village Treasurer for assistance.

The Village Administrator, or his/her designee, shall be the final authority with regards to enforcement of any of the provisions of this policy. Failure to follow the procedures outlined in this policy may lead to disciplinary action.

B. Code of Ethics

All Village personnel engaged in purchasing and related activities shall conduct business dealings in a manner above reproach in every respect. Transactions relating to expenditure of public funds require the highest degree of public trust to protect the interests of the Village and the residents of Lemont. Village employees shall strive to:

- Ensure that public money is spent efficiently and effectively and in accordance with statutes, regulations and Village policies.
- Maintain confidentiality at all times.
- Not accept gifts or favors from current or potential suppliers, which might compromise the integrity of their purchasing function.
- Specify generic descriptions of goods wherever possible in lieu of brand names when compiling specifications.
- Never allow purchase orders for identical goods or services to be split or variations to Village Board approvals to be made in order to circumvent established policy.
- Purchase without favor or prejudice.
- Ensure that all potential suppliers are provided with adequate and identical information upon which to base their offer or quotation and that any subsequent information is made available to all bidders.

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- Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and selection is based upon the lowest total cost compliant bid.

- Offer a prompt and courteous response to all inquiries from potential or existing suppliers.

It shall be the responsibility of the Village Administrator to determine if a violation of this Code of Ethics has occurred and if disciplinary action is necessary.

C. Conflict of Interest Policy

Except as may be disclosed to and permitted by the Village Board, it shall be a breach of ethical standards for any employee to participate directly or indirectly in the purchasing process when the employee knows that:

1. The employee is contemporaneously employed by a bidder, vendor or contractor involved in the procurement transaction; or

2. The employee, the employee's partner, or any member of the employee's immediate family holds a position with a bidder, offeror or contractor such as an officer, director, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction, or owns or controls an interest in the company; or

3. The employee, the employee's partner, or any member of the employee's immediate family has a financial interest arising from the procurement transaction; or

4. The employee, the employee's partner, or any member of the employee's immediate family is negotiating, or has an arrangement concerning, prospective employment with a bidder, vendor or contractor.

The employee's immediate family shall be defined as a spouse, children, parents, brothers and sisters and any other person living in the same household as the employee.

It shall be the responsibility of the Village Administrator to determine if a violation of this Conflict of Interest policy has occurred and if disciplinary action is necessary.

D. Gifts and Gratuities – Village Guidelines for Accepting

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Village personnel should be aware that offers of gratitude from vendors could be designed to compromise objective judgment in product or service selection. Accordingly, it is Village policy to observe the highest standards of ethics and to shield the employee, the Village and the vendor from any suggestion or appearance of conflict of interest.

No employee shall permit any influence by vendors, which could conflict with the best interest of the Village, or prejudice the Village's reputation. Expenditures of Village funds to vendors shall not by intention personally benefit any person employed with the Village. Employees shall strive to follow the following guidelines:

1. Tangible gifts or gratuities shall not be accepted where their value suggests something more than merely a social gesture. Such gifts should be returned with a statement of Village policy. Promotional or advertising items of nominal value such as key chains, pens, coffee mugs, calendars and holiday candy are acceptable. Promotional gifts that are capable of being shared, such as a box of chocolates, shall be shared within the office or section where the recipient works.
2. Association with vendor representatives at business meals or business organization meetings is occasionally necessary and is neither questionable nor unethical, provided the individual keeps himself/herself free of obligation.
3. Personal loans of money or equipment are not to be accepted from a vendor or an individual associated with a vendor doing business with the Village.
4. Solicitation of vendors for merchandise or certificates to serve as door prizes or favors is normally prohibited. However, the Village Administrator may approve exceptions.
5. Corporate discounts granted to Village employees are acceptable only if they are offered to all Village employees and other corporate clients of the vendor.

If in any doubt about the propriety of accepting a gift, the matter should be referred to the Department Head who will, if necessary, discuss the matter with the Village Administrator or his/her designee.

E. General Purchasing Procedure and Responsibilities

1. The Village Board adopts a budget for the fiscal year.
2. Purchases of goods/services for budgeted items may be ordered by Department Heads provided that expenditures do not exceed the amount available in the budget. Exceptions to this general rule will occur when a purchase order is required (Section G), pricing requires Board action (Section F), or a budget amendment is required (Section H).
3. The level of budget authority (the level at which expenditures cannot legally exceed the budget) granted to the Village Treasurer is established at the individual fund level.

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4. Approved invoices are forwarded by Departments to the Finance Department for inclusion in the Village's Payment Register approval process. Invoices should be submitted to Finance on a regular basis as received.
5. The Finance Department sends any invoices received directly by the Finance Department to appropriate departments for review and signature of Department Head on invoice. Certain recurring invoices (e.g., contract amounts, utilities) do not need to be returned to the individual department for approval. In these instances, a memo from the Department Head with the appropriate coding will be maintained in the vendor file as evidence of approval and coding.
6. Checks are processed on a bi-weekly basis. Those checks not requiring specific board approval can be mailed 30 days from date of invoice or earlier if a discount is allowed.
7. All properly approved invoices are then compiled by the Finance Department on a Payment Register for Board approval. The Warrant List is included in the agenda packet for the Board Meeting.
8. The Board approves the Payment Register at the Board Meeting

F. Pricing Requirements

The Village's policy is to obtain the most cost effective price available for purchases through competitive pricing. Pricing should generally be obtained from at least three vendors except as noted in the following guidelines or as otherwise required by law. The following guidelines will determine the level of pricing required for purchases.

1. Purchase total less than \$2,500 – One verbal quote is sufficient. If the nature of the purchase is repetitive (i.e. monthly), pricing does not need to be obtained every time, but should be reviewed annually. Employees are encouraged to seek additional pricing when possible.
2. Purchase total \$2,500 - \$4,999 – Three verbal quotes required.
3. Purchase total \$5,000 - \$9,999 – Three written quotes required.
4. Purchase total \$10,000 - \$19,999 - Authorization required by purchase order which must be approved by the Village Administrator. Written price quotes are required. Purchase Orders are discussed further in Section G.
5. Purchases \$20,000 or more - Must be authorized by the Village Board prior to Purchase Order approval. Formal bid or RFP process required.

Exceptions to the pricing requirements include single source vendors, repetitive purchases, requirements by State statute or local ordinance, purchases thru the State of Illinois Joint Purchasing program or other state cooperatives, financially advantageous joint purchases with other units of government, emergency purchases, contractual obligations, professional associations,

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professional services for legal, engineering, architect, insurance, medical, accounting, auditing, technology, surveying or any other unusual purchasing situation.

G. Purchase Orders

The policy intends to limit the use of purchase orders. Departments will be required to file purchase orders only if one of the following criteria is met:

1. Purchase is for \$2,500 or more.
2. Vendor requires a purchase order in order to deliver the good or service and invoice for the item at a later date.
3. A significant time period is anticipated between the ordering of an item and the payment of such item. Examples include capital projects which take place over several months, commodities used over several months (e.g. road salt) and items ordered well in advance of delivery (e.g. fire engine).

In order to expedite purchasing throughout the year, blanket purchase orders may also be prepared on a fiscal year basis if authorized by the Village Administrator. Blanket purchase orders are for vendors that require a purchase order amount for small item or per unit purchases.

H. Budget Amendments

If a department determines that a significant individual purchase will cause a budgeted account number to go over budget, the department should submit a budget amendment request. Approval of a budget amendment request is as follows:

1. If the amount is less than \$10,000 and can be transferred from another account where a positive budget variance is anticipated, the Village Treasurer has the authority to approve the request.
2. If the amount is \$10,000 or greater and can be covered by another account, the Village Administrator has the authority to approve the request.
3. If the amount cannot be offset by a reduction in spending from another account, then the budget amendment request will be presented to the Board for approval. The preferred method of presentation to the Board is for the Department Head to include the preparation of a budget amendment request along with an agenda item. However, the Department Head can also prepare a written memorandum to the Village Administrator requesting inclusion of an amendment on the board agenda should the purchase itself (e.g. contract approval) not require prior Board approval. Such inclusion must be approved by the Village Administrator.

I. Emergency Purchases

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Emergencies are defined as events that could not have been foreseen where immediate action is necessary to safeguard the public's health and safety. In the event of an emergency affecting the public health and safety, the Public Works Director shall have additional authority up to \$10,000 for emergency purchases for the following items:

- Services/maintenance to maintain vehicles.
- Services/materials to maintain wells.
- Services/materials to maintain streets.
- Services/materials to maintain sewer system.
- Services/materials to maintain water system.

Documentation of the emergency and the need for immediate action shall be presented to the Village Board, together with an itemized account of all expenditures. Reporting to the Board would be handled through the first warrant list process immediately following the emergency expenditure.

J. Payroll

The Mayor and Board of Trustees authorize the Village Treasurer on a fiscal year basis to pay wages and salaries of Village employees in accordance with the rates of compensation established by the Board along with the payment of all payroll taxes, pension contributions, and such other obligations according to Federal, State, local, or pension fund requirements.

K. Manual Checks

Occasionally, a need will arise for a check to be prepared manually outside of the normal claims list process. These manual checks are needed when a check has to be remitted prior to the next Board Meeting Payment Register process. The Village's policy is to keep requests for manual checks at a minimum. Common items for which manual checks can be prepared include 1) Payroll related checks; 2) Late notification of seminar registrations or late decisions to attend; 3) Unavoidable cash on delivery transactions; 4) Board approved contractual obligations requiring check; 5) Emergency purchases, 6) Agreed to arrangements pre-approved by the Village Administrator with vendors, 7) Situations which will significantly impair the Village financially if a check is not prepared; and 8) Situations which would significantly impair the Village's operations if a check is not prepared.

The Finance Department will process manual checks no more frequently than weekly. The Finance Director may authorize a non-emergency related check between weekly cycles in situations where immediate issuance of the check is needed to prevent an adverse impact on the Village. The Department Head must submit a written request for a manual check to the Village Treasurer. All manual checks are to be approved by the Department Head and Village Treasurer. In the Village Treasurer's absence either the Village Administrator may approve manual checks. Departments will have to demonstrate that a manual check fits one of the above criteria.

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Once a check is prepared, reporting to the Board including invoice approval, will take place through the first following payment register process which corresponds to the manual check date.

L. Petty Cash

The Village Board has approved two petty cash funds within the Village as follows: Village Hall Cashier-\$500; Police Chief Secretary- \$500. Responsibility for custody and safeguarding of each fund and for all fund disbursements rests with the appropriate Department Head. The Department Head may designate an employee in their department as custodian of the petty cash fund.

Petty cash is to be used to reimburse employees for Village expenses which the employee incurs up front and for small purchases which are handled most efficiently by utilizing petty cash. The following restrictions apply:

1. Individual petty cash purchases are limited to a maximum of \$75.00.
2. Employee must prepare a petty cash voucher which is approved by the Department Head.
3. Receipts documenting the expense must be attached to the petty cash voucher.

Disbursements from petty cash funds cannot be ultimately approved without receipts. If cash is provided in advance of the purchase, the employee must return the unused cash along with the receipt. If an employee cannot provide a receipt, alternative verification approved by the Department Head must be attached.

Each department is responsible for balancing and reconciling its own petty cash fund. Departments replenish petty cash funds by submitting a request to the Finance Department. The request is then processed through the Warrant List procedure. The request for replenishment must be supported by petty cash vouchers/receipts which agree to the amount of the request. The fund must be at least 50% depleted for the Finance Department to process a check to replenish. The fund must be replenished at fiscal year-end for all expenses at that point in time.

Departments can request an increase to their petty cash fund amount through the regular warrant list process. Approval of such a request by the Village Board will also constitute approval of amending this policy to reflect the increased amount.

M. Village Purchase Card

The Village purchase card is administered under a separate Purchase Card Policy. See that policy for applicable guidelines.

N. On-Line Purchasing

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The Internet may be utilized for on-line purchasing as a tool for obtaining favorable pricing, preferred products/services and securing expedited procurement.

On-line purchasing is subject to all requirements of this policy and is not to be used for means other than allowed by this policy. On-line purchasing shall be subject to the pricing requirements of purchasing procedures Section F.

On-line purchases are to be made preferably utilizing a Village issued purchase card which is subject to the procedures as discussed in the Village Purchase Card Policy. Situations when an employee utilizes their own credit card to make a purchase on behalf of the Village are subject to pre-approval of the employee's Department Head. Such pre-approved purchases will be reimbursed directly to the employee through the Village's regular payment register process. The employee must obtain a receipt or other form of documentation substantiating the on-line purchase. Should an employee make an on-line purchase without pre-approval, reimbursement of that purchase can be denied by the Village.

O. Mileage & Toll Reimbursement

Reimbursement for the mileage for non-overnight travel when driving a personal vehicle for Village business and for related tolls incurred shall be made to employees on a monthly basis. Employees shall complete the Monthly Mileage & Toll Reimbursement form and submit the form for payment thru the Village's regular claims list process. The form is attached as Exhibit B. It is the Village's policy to reimburse employees for every business mile driven with a personal vehicle at the Internal Revenue Service (IRS) standard mileage rate. The form will be modified by the Finance Department each time the IRS adjusts the rate; typically on a calendar year basis. Employees will be reimbursed for actual toll expenses. Employees using personal vehicles on Village business must have adequate automobile insurance coverage.

P. Signing of Contracts

All contracts in excess of \$10,000 must be signed by the Village Administrator. Additionally, all contracts or documents requiring the signature of the Mayor and/or Village Administrator, and/or any other person designated by the Village Board must be executed accordingly.

Q. Year-End Accrual Calculations and Procedures

The Village shall calculate all year-end accruals with a goal of preparing complete, fully-adjusted trial balances at April 30 each year reflecting all purchase related accruals. Each year in March, the Treasurer shall issue a memorandum to the Village's department directors detailing the year end accrual calculations and procedures. The memorandum should include, but not be limited to items such as the year end accounts payable accrual, unbilled goods or services at year end, year-end purchase order procedures and the manual check cut-off date.

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A. Introduction

The Purchase (Credit) Card Program is intended to streamline and simplify purchasing and payment procedures by consolidating supplier invoices and eliminating form processing. The Payment Settlement Entity (PSE) is selected by Village personnel to process vendor payments on the Village's behalf. The Purchase Card Program is not intended to avoid or bypass appropriate procurement or payment procedures. Rather, the Program complements the existing processes available. The Purchase Card also gives personnel an opportunity to make practical decisions in obtaining products or services for which they are knowledgeable and reduces administrative burdens. Management information reports are available, enabling the Department Heads to improve management control and decision-making.

This Policy provides information about the process, the types of purchases that can and cannot be made, records that must be maintained and reconciled for each cycle, and a variety of other Program information.

The cardholder needs to remember that he/she is committing Village funds each time the purchasing card is used. This is a responsibility that should not be taken lightly. The cardholder is the person responsible for all charges made to the card. Intentional misuse or fraudulent abuse may result in disciplinary action up to and including dismissal and recovery of all unauthorized purchases.

The card has no impact on the cardholder's personal credit. Although the card lists an individual's name, the card is actually issued to the Village of Lemont.

The Finance Department is responsible for implementing the Purchase Card Program within the Village. The Treasurer (Program Administrator) is the Village's primary representative to the purchasing card vendor. This individual is responsible for card issuance, card cancellation and communicating to the purchasing card vendor, who, within the Village, receives the cards, monthly billings, additional statements and management reports.

Outline of Purchase Card Procedures:

1. Cardholder orders product or service directly from supplier.
2. Supplier processes the order.
3. The PSE checks for compliance with applicable limits.
4. The supplier delivers the product or service.
5. The PSE arranges payment to the supplier in as few as three business days.
6. The Program Administrator download reports from the PSE website.
7. The Cardholder reviews the purchases and codes them correctly.
8. Supervisor or Department Head signs Statement of Account
9. Reports are sent to the Program Administrator
10. The Village sends a single payment to the PSE.
11. The Village uses various management information reports to review and analyze spending.

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B. Policy

The current small purchases **The current monthly limit for each card is \$5,000, unless there is a definite need for an increase. The Village of Lemont is liable for authorized charges made using the card.**

Purchase cards shall be used

- **Official** Village of Lemont purchases only.
- Use of the card for personal items is not permitted even if it is with the intention of reimbursement
- Efforts should be made to use vendors who accept the purchasing card where appropriate in order to maximize administrative cost savings.
- Sales tax should not be charged

If the employee has questions on the appropriate use of the Purchasing Card, the employee should contact the Finance Director.

C. Procedures

1. Card Issuance

Purchasing Cards will be issued to individuals who have a need as determined by their Department Head and approved by the Village Administrator. Examples of individuals requiring a Purchasing Card are:

- Anyone with authority to order supplies and materials.
- Anyone who reconciles and resolves procurement problems.
- Anyone who has a demonstratable need for the card to avoid spending personal funds on Village business and later being reimbursed by the Village.
- Anyone who needs to make frequent purchases while away from their usual work location.

The ideal Cardholder will meet all four criteria. Former employees, non-employees such as contractors, are not eligible to obtain purchasing cards.

To obtain a Purchasing Card:

1. The employee must complete the application including the Department Head's signature.
2. Send the completed application with original signatures to the Village Administrator.

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3. Attend a training orientation and receive the Purchasing Card. The Purchasing Cards are issued with the name of the Cardholder and the Village of Lemont names embossed on the front.

2. Card Profiles

1. **Dollar limits per Cardholder:** This limit allows Department Heads to designate the total amount an employee can spend during the monthly billing cycle. A running balance is maintained by the PSE that increases with each authorized charge until the Cardholder reaches the assigned monthly limit. If the limit is reached before the end of the billing cycle, new attempts for authorization are denied.

3. Cancellation of Card

- Cardholders must return the Purchase Card to the Village Program Administrator immediately upon request or upon termination of employment.
- It shall be the responsibility of the Department Heads to ensure all cancelled cards are collected from the employee prior to the employee leaving and forwarded to the Program Administrator to be destroyed.
- It is imperative the Cancellation Form Appendix A-4 (obtained from Program Administrator) be processed in an expedited manner.

4. Changes

The Village Program Administrator must be contacted when changes need to be made to existing purchasing cards. If a new purchasing card needs to be issued, the Cardholder should receive the replacement card in 7-10 business days. The old card, unless it is lost, must be turned in to the Program Administrator before the replacement card will be issued. The Department Head should utilize the Program Maintenance Worksheet (located at Appendix A-2) to:

- Make name changes,
- Change mailing address,
- Increase or decrease spending limit/restrictions,
- Card replacement, or
- Change accounting information contained on the card's magnetic tape.

The Program Maintenance Worksheet should be provided to the Village Program Administrator to effect the changes. The approximate time to complete a change is 3 to 5 business days after receipt by the PSE.

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5. Purchasing Card Security

Authorized use of the Purchasing Card is limited to the person whose name appears on the face of the card. The Purchasing Card must not be loaned to another person or given to another employee.

The Purchasing Card, or any document containing the card account number, should be kept in an accessible but secure location. The account number on the purchasing card should not be posted or left in a conspicuous place. **The account number must not be faxed to vendors.**

If the Purchasing Card is lost or stolen, the Cardholder must immediately notify the Village's Program Administrator **and** the PSE.

The Village is liable for the use of the Purchasing Card by authorized users, provided that the use is within the single per transaction dollar limit. The Village of Lemont does not accept liability for the following:

- Unauthorized use of the Purchasing Card.
- Account numbers that are fraudulently used.
- Purchases made with stolen or lost cards that are beyond the maximum limit of \$50, and after discovery and reporting to the PSE of card loss or theft. **Exception: If the PSE investigation finds the employee used the card for personal gain the Village becomes liable and the employee would be subject to termination.**

6. General Requirements for Card Use

Please see the Village's Procurement Card Usage Guide for specific requirements.

7. Ordering Procedures

- Information to provide a supplier:
 - Provide the vendor with Cardholder name and card number.
 - Expiration date of the Card.
 - Remind the supplier that the Village is exempt from Sales Tax. The vendor will verify the account number with the PSE. The spending limit will be checked electronically for compliance with applicable limits.
 - Business ship-to address.
 - Preferred methods of shipment, i.e., FOB Destination, freight prepaid and allowed.

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-- **Please Note: The purchasing card number should not appear anywhere on the exterior of the package. This number is CONFIDENTIAL!**

- Information to obtain from supplier:
 - Order confirmation or tracking number.
 - Base cost of purchase.
 - Anticipated delivery date.
 - Freight cost, if available.
- Retain all documentation pertaining to the purchase. When the vendor delivers the order, or the order is picked up, documentation of the purchase (such as sales receipt or packing slip) should accompany the order. The documentation must be kept on file by the Cardholder for reconciliation to the charge card statement.
- Returns, Credits and Disputed Items

In most cases, disputes can be resolved directly **between the Cardholder and the vendor** that provides the goods and services. The Cardholder must use the following guidelines when returning an item or for other disputed items such as sales tax charged:

- If an item needs to be returned for any reason, the Cardholder should send the item back to the vendor in the manner agreed upon.
- Returns of material to suppliers must be handled as credits and treated as separate transactions.
- Returns are not to be handled as exchanges or combined with other purchases.
- A separate transaction must be placed to re-order the correct material.
- **Cash refunds are not allowed under any circumstances!!**
- Call the supplier as soon as possible. Promptness is important.
- Obtain supplier's Return Authorization Number, i.e. approval to return.
 - Information to give to supplier:
 - Card Number
 - Name
 - Phone number
 - Confirmation number/packing slip number

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- The vendor should issue a credit for items that are returned or for sales tax inadvertently charged. This credit will appear on a subsequent charge card statement.
 - Confirm that the supplier will issue the credit to the purchase card.
- If the cardholder and the vendor cannot resolve an issue, the Cardholder should dispute the charge in writing to the PSE by faxing a completed dispute form (Appendix A-5) with a copy to the Finance Department. The PSE will process and investigate the dispute on the Cardholder's behalf and assist in the resolution. A temporary credit will be issued pending final resolution.
- If there is still a problem, contact the department head or the Finance Department.

8. Charge Card Statement Reconciliation

- Department Procedures

1. Overview:

- The Purchasing Charge Card billing cycle is approximately 30 days in length.
- The PSE mails Cardholders statements approximately three to four days after the cut-off date. Given mail cycles, the statement can be received as late as the 7th of the month.
- Department Head forwards the Worksheet and supporting documentation to Finance Department. **Each week after the download is sent to the departments.**

2. Reconciliation Procedures:

The department is responsible for retaining documentation of purchases and returns and reconciling them to the Worksheet that is downloaded. The following guidelines are recommended for reconciliation:

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- The Cardholder shall be required to retain a receipt, invoice or other appropriate supporting documentation for each and every purchase made on the credit card.
- The Cardholder will match and attach all such receipts to the Worksheet in the same order as the transactions appear on the statement and sign and date the statement, and notate on the report, “okay to pay.”
- The department head will review the cardholder’s Worksheet, make the appropriate changes (account numbers), initial with authorized signature and forward all information to the Finance. Continued delinquencies in forwarding statements to the Finance Department **shall** result in the loss of credit card privileges.
 - The Cardholder’s Transaction Log Worksheet must be signed by the Cardholder; reviewed, approved and signed by the a supervisor.
- If at any point a Cardholder, Department Head or Finance Department employee identifies an issue that would otherwise cause the Village to be paying the wrong amount to the PSE, it is imperative that communication be initiated to all appropriate personnel involved in the process.
- All supporting documentation pertaining to the purchases and returns on the statement should be kept on file until disposition in accordance with Village policies.

3. Discrepancies

- Discrepancies should be noted on the Worksheet for subsequent resolution. It is the Cardholder’s responsibility to first work with the applicable vendor, then directly with the PSE in order to resolve the issue with temporary credits issued during pending investigation by the PSE.
 - All unresolved issues should be brought to the attention of the Department Head and if necessary, then to the Finance Department.

9. Charge Card Statement Payment Guidelines

- **Finance Procedures**

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Adopted:March 2015

The Finance Department is responsible for processing payments to the PSE. The following guidelines must be observed when processing payments:

- Upon receipt of the monthly invoice from the PSE the Finance Department will reconcile all of the Worksheets to the master statement received from the PSE.
- Upon receipt of supporting documentation and reconciliation to the invoice (completeness, accuracy), the supporting documentation will be attached to the invoice and filed accordingly.
- Such supporting documentation should be received by the 5th of the month the statement is received. For those departments that do not meet such timelines, appropriate follow-up should be conducted by the Program Administrator with continued delinquencies of the department resulting in the loss of credit card privileges.
- An annual analysis will be performed by the Program Administrator that will compile the following information using the PSE reports as appropriate detail.
 - Total volume of transactions and dollar amount of transactions for which a credit card was used.
 - Top vendors by volume of transactions report generated (to be used to identify vendors that may be subject to credit card purchases).
 - Comparison of credit card purchases to non-credit card purchases analysis by volume of transactions and by dollar of transactions with trend analysis performed in subsequent years.
- The payment due date is established by the terms of the contract with the PSE. The due date will be based upon the cycle date selected by the Village. **The PSE must receive payment within 21 days after the statement cycle date.** Do not adjust due date for holidays or weekends. Example: If the charge card billing cutoff date is 3/01/11 the due date is 3/21/11.

D. Management Information

Management Information Reports

The Village of Lemont
Purchase Card Policy & Procedures
Adopted:March 2015

The PSE provides Departments detailed management information reports that enable the Village to monitor Cardholder usage, policy compliance, and frequency of vendor usage. Over 30 reports are available. Some of the Management information reports currently available include:

Account Spending Analysis Detail	Account Statement
Account Spending Analysis	Cost Allocation Detail
Card Program Analysis	Account Status
Merchant Category Monthly Summary	Line Item Detail
Merchant Detail	Merchant Exception
Merchant Supplier Summary	Account Activity Exception

- **Internal Controls**

Department Heads must develop and document internal control procedures to ensure that all approved monthly statements are turned into Finance by the 5th of each month. The department procedures must:

- Ensure the Transaction Log Worksheets have been reviewed and approved by the Cardholder's supervisor and that the appropriate expense accounts have been charged.
- Ensure unacceptable materials and incomplete services are documented on the Purchasing Log Worksheet and the purchaser took the appropriate corrective action with the vendor, and
- Ensure the original payment processing documents are sent to the Finance Department and a copy is maintained in a department file for audit purposes.
- The Finance Department will perform "spot" post-audits of charge card transaction activity to ensure compliance with the procedures contained herein

- **Records Retention**

Records should be maintained for a period of seven years after final payment.

Village of Lemont
Purchase Card Policy and Procedures
Adopted: March 2015

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Adopted: March 2015

**A-4 Village of Lemont
Purchasing Card Cancellation Form**

Cardholder Name: _____

Account Number: _____

Requestor's Name: _____
(if different than cardholder)

Reason for cancellation:

_____ Termination of employment

_____ Loss of purchasing card privileges

_____ Other: _____

Please submit completed form to the Program Administrator.

Approved: _____
Program Administrator

Date: _____

E-mail completed form to: tfriedly@lemont.il.us or csmith@lemont.il.us. Print a copy of the sent file and retain with cardholder file.

Village of Lemont
Capital Asset Policy and Procedures
Adopted: March 1, 2015

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Village of Lemont
Capital Asset Policy and Procedures
Adopted: March 1, 2015

A. Purpose

The Capital Asset Policy and Procedures provides guidelines to establish and maintain capital asset records that comply with governmental financial reporting standards, provides for adequate stewardship over Village resources, and provides centralized documentation for insurance and asset management purposes.

B. Definitions

1. *Accumulated Depreciation* – the total reduction in value over time of an asset since its acquisition, which is recorded for financial statement purposes.
2. *Acquisition Costs* - assets should be recorded and reported at historical costs, which include the vendor's invoice, initial installation cost, modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as site preparation costs and professional fees.
3. *Capital Assets* - capital assets are tangible and intangible assets acquired for use in operations that will benefit the Village for more than a single fiscal period.
4. *Construction in Progress* - an asset that is comprised of the substantially incomplete construction costs of, typically, a road, water system or building. Depreciation is not applied to construction in progress.
5. *Depreciation* – a method for allocating the acquisition cost of capital assets over time. Generally Accepted Accounting Principles (GAAP) requires that the value of capital assets must be written off as an expense over the useful life of the asset.
6. *Disposition* - the final status of an asset when it is removed from the capital asset account and is no longer physically located on the Village's property. This can be upon sale, scrap or donation.
7. *General Capital Asset Group* - general fixed assets are those capital assets which are acquired or constructed through governmental fund resources and used to provide general government services. As a result of GASB 34 pronouncement, these assets which meet the minimum capitalization threshold are capitalized and depreciated over the estimated useful lives.
8. *Infrastructure* - infrastructure shall include roads (including curbs and gutters), bridges, water and sewer mains, pumping stations, lift stations, traffic lights, streetlights, stormwater, right of ways, easements, etc.

Village of Lemont
Capital Asset Policy and Procedures
Adopted: March 1, 2015

9. *Leased Equipment* - leased equipment should be capitalized if the lease agreement meets any one of the following criteria:
 - a. The lease transfers ownership of the property to the Village by the end of the lease.
 - b. The lease contains a bargain purchase option.
 - c. The lease term is 75 percent or more of the estimated economic life of the leased property.
 - d. The present value of the minimum lease payments at the inception of the lease, excluding executor costs, equals at least 90 percent of the fair value of the leased property.
10. *Net Book Value* – the difference between the acquisition cost and accumulated depreciation.
11. *Proprietary Capital Assets* - assets acquired or constructed by proprietary funds (Water and Sewer Fund, Parking Fund) and meet the minimum capitalization threshold, are capitalized and depreciated over their estimated useful lives. Depreciation is computed using the straight-line method.
12. *Surplus equipment* – An item or items that are no longer needed or required.
13. *Useful Life* – The period over which a capital asset has utility to the Village in performing the function for which it was purchased.

C. Capitalization Threshold

The capitalization threshold or minimum value of an asset at the time of acquisition is established at \$50,000 for infrastructure and easements and \$10,000 for all other assets. The threshold is applied on an individual basis. All tangible and intangible capital assets that exceed the threshold will be capitalized and depreciated over the asset's useful life.

D. Depreciation Method

All capital assets are depreciated using the straight line method. All assets are depreciated based on the date the asset is placed in service with the exception of infrastructure, which is depreciated with a full year of depreciation in the year the asset is placed in service. If an asset is not fully depreciated upon disposal, the depreciation is calculated to the date of disposal for all assets other than infrastructure, for which no depreciation is recorded in the year of disposal.

Village of Lemont
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E. Useful Lives

Useful lives will be reviewed annually by the Finance Department. The Village depreciates over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Water, sewer & stormwater infrastructure	65
Bridges	50
Other infrastructure	10-20
Land improvements	20
Machinery and equipment	5 - 30
Computer software	5 - 20
Vehicles	5 - 7
Water and sewerage systems	20 - 50

F. Intangibles

The Village is in possession of assets that may be considered intangibles assets, including computer software and easements. The Village will account for intangibles in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Computer software will be capitalized if the acquisition cost meets the capitalization threshold. Easements will be accounted for as follows:

1. A temporary easement will not be recognized as a capital asset.
2. A permanent easement will be recognized as a capital asset subject to all the following conditions:
 - a. The easement is evidenced by a final plat of subdivision and acceptance of related improvements, if appropriate. Any final plat of subdivision should include the total acreage of easements accepted by the Village.
 - b. A permanent easement will be valued at 10% of the current land-cash fee rate for improved land of equivalent acreage.
 - c. A permanent easement will be capitalized if it has a value of \$50,000 or more. Easements will be aggregated within a general area (e.g., a subdivision) for the purposes of determining whether the \$50,000 threshold is met.
 - d. A permanent easement associated with a proprietary fund activity will be recorded in the appropriate proprietary fund. Other permanent easements will be recorded in the general fixed asset account group for inclusion in the Village's government-wide financial statements.
 - e. The value of a permanent easement will not be amortized.

G. Improvement, Repair and Maintenance Expenses

Routine repair and maintenance costs will be expensed as incurred and will not be capitalized. Street regrinding, patching, etc. is considered maintenance and will not be capitalized. Repairs of water and sewer assets will not be capitalized unless the repairs materially extend the life of the original asset.

H. Department Responsibilities

Departments are responsible for protecting and controlling the use of Village assets assigned to their department. The department will be responsible for completing an Asset Control Sheet upon acquisition, disposition or transfer of an asset. All Asset Control Sheets must be submitted to the Finance Department with supporting documentation.

I. Capital Asset Additions

The Village may acquire assets through purchase, lease or donation. When an asset is purchased or leased, the department will forward a copy of the invoice to the Finance Department for payment. The Finance Department will identify assets that meet the capitalization requirements. The Finance Department will assign a unique inventory control number to the asset, assign an inventory ID tag (if applicable) and start an Asset Control Sheet which will be forwarded along with the inventory tag to the responsible department for completion. The Department is responsible for completing the Asset Control Sheet and returning to the Finance Department. The Finance Department will then enter the information into the capital asset software system. Individual assets as well as infrastructure are included as entries in the capital asset software.

The Village may also acquire assets through donations (e.g., developer conveyance). Prior to acceptance, the Village must obtain documentation of the value of the asset being donated. When a donation is accepted through the Village ordinance or resolution process, the Finance Department will obtain the supporting documentation and enter the information into the capital asset software system.

Inventory tags are to be used when feasible. The tags should be placed on the principal body of the asset and removed only when the item is sold, scrapped, or otherwise disposed of.

F. Sales and/or Retirements of Assets

Disposal, sale or retirement of an asset may only occur after the asset is declared surplus and approved by the Village Board. When a capital asset is disposed of, its cost and accumulated depreciation are removed from the Village's books and a gain or loss, if any, is recognized. The department head will document the disposal on the Asset Control Sheet and forward to the finance department. The finance department will remove the item from the capital asset software system and record the disposal in the general ledger.

G. **Physical Inventory**

The Village and each department will conduct a physical inventory at least once per year at fiscal year-end. The Finance Department will provide each department with an inventory worksheet identifying all capital assets under their control. Each department will be responsible for completing the physical inventory of the items, verifying the existence and condition of each item on the worksheet, and making note of any additions, deletions, or leases of property that are not reflected on the list. The final list will be reviewed by the department head, who will sign as acknowledgement of their approval and then returned to the Finance Department. The inventory should be performed by a team including at least one representative from the department and one individual from an independent department not responsible for the safeguarding of assets.

The Finance Department will perform a sample verification of the physical inventory items and reconcile the listings to the capital asset software system.

H. **Small Inventory Asset Procedures**

Assets that do not meet the capitalization requirements, but qualify as a small asset for inventory tracking, shall be expensed when purchased. Small assets include all computer equipment, office equipment, and any other department specific items that are designated as small asset items by the Department Head. These items will be maintained in the capital asset software for inventory tracking purposes only. The item will be noted on a Small Inventory Asset Control Sheet for processing. The department heads will be responsible for completing a Small Inventory Asset Control Sheet and submitting this to the Finance Department along with the invoice for payment. The Finance Department will enter the information into the capital asset software, but designate the item as a non-capital asset inventory item. The departments will maintain control over their small inventory asset listing.

I. **Year End Accounting**

At year-end the Finance Department will generate the following reports from the capital asset software system:

1. Property Accounting Summary – this report summarizes the original cost, accumulated depreciation and book value in a summarized format. Separate reports are generated for the governmental funds and proprietary funds.
2. Net Changes Summary – this report summarizes the additions and disposals in a summarized format.
3. Depreciation Detail – this report includes the beginning accumulated depreciation, current year depreciation and ending accumulated depreciation in detail.

Village of Lemont
Capital Asset Policy and Procedures
Adopted: March 1, 2015

The Finance Department will prepare the necessary journal entries to record changes in capital assets and depreciation. In addition, the Finance Department will prepare all journal entries necessary to present the general fixed asset account group in the government-wide financial statements, in accordance with GASB Statement No. 34.

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A. Purpose and Goals

This Debt Management Policy sets forth comprehensive guidelines for the financing of capital projects and infrastructure. It is the objective of the policy that the Village obtain financing only when necessary; the process for identifying the timing and amount of debt or other financing be as efficient as possible; and the most favorable interest and other costs be obtained.

In following this policy, the Village shall pursue the following goals when issuing debt:

1. Maintain at least an Aa2 credit rating for each general obligation debt issue, and an Aa credit rating for each revenue bond debt issue.
2. Take all practical precautions to avoid any financial decision which will negatively impact current credit ratings on existing or future debt issues.
3. Effectively utilize debt capacity in relation to Village growth and the tax base, or utility rate base to meet long-term capital requirements.
4. Consider market timing.
5. Determine the amortization (maturity) schedule which will best fit with the overall debt structure of the Village's general obligation debt and related tax levy at the time the new debt is issued. For issuance of revenue bonds, the amortization schedule which will best fit with the overall debt structure of the enterprise fund and its related rate structure will be considered. Consideration will be given to coordinating the length of the issue with the lives of assets, whenever practical, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the payout structure.
6. Consider the impact of such new debt on overlapping debt and the financing plans of local governments which overlap, or underlie the Village.
7. Assess financial alternatives to include new and innovative financing approaches, including, whenever feasible, categorical grants, revolving loans or other state/federal aid.
8. Minimize debt interest costs.

B. Debt Issuances

1. Authority and Purposes of the Issuance of Debt

The laws of the State of Illinois authorize the issuance of debt by the Village. The Local Bond Law confers upon municipalities the power and authority to contract debt, borrow money, and issue bonds for public improvement projects as defined therein. Under these provisions, the Village may contract debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging, and equipping such projects or to refund bonds.

2. Types of Debt Issuances

a. *Short Term Debt (three years or less)*: The Village may issue short-term debt which may include, but not be limited to, bond anticipation notes or variable rate demand notes, those instruments which allow the Village to meet cash flow requirements or provide increased flexibility in financing programs.

b. *Long Term Debt (more than three years)*: The Village may issue long-term debt which may include, but not limited to, general obligation bonds, certificates of participation, capital appreciation bonds, special assessment bonds, self-liquidating bonds and double barreled bonds. The Village may also enter into long-term leases for public facilities, property, and equipment with a useful life greater than one year.

3. Structure of Debt Issuances

The duration of a debt issue shall not exceed the economic or useful life of the improvement or asset that the issue is financing. The Village shall design the financing schedule and repayment of debt so as to take best advantage of market conditions and, as practical, to recapture or maximize its credit capacity for future use, and moderate the impact to the taxpayer.

4. Sale of Securities

All debt issues shall be sold through a competitive bidding process based upon the lowest offered True Interest Cost (TIC), unless the Village Board deems a negotiated sale the most advantageous to the Village.

5. Markets

The Village shall make use of domestic capital markets when the conditions best fit the Village's financing needs.

6. Credit Enhancements

The Village may enter into agreements with commercial banks or other financial entities for the purpose of acquiring letters of credit, municipal bond insurance, or other credit enhancements that will provide the Village with access to credit under terms and conditions as specified in such agreements when their use is judged cost effective or otherwise advantageous. Any such agreements shall be approved by the Village Board.

C. Legal Constraints

1. State Law

30 ILCS 305/0.01, et. seq.: the short title is "The Bond Authorization Act."

2. Authority for Debt

The Village may, by bond ordinance, incur indebtedness or borrow money, and authorize the issue of negotiable obligations, including refunding bonds, for any capital improvement of property, land acquisition, or any other lawful purpose except current expenses, unless approved by the Village Board.

3. Debt Limitation

Under Illinois Compiled Statutes the Village's general obligation bonded debt issuances are subject to a legal limitation based on 8.625% of the total assessed value of real estate property.

The Village is subject to debt limitations by Illinois Property Tax Extension Limitation Law (PTELL). PTELL allows the issuance of an amount of general obligation debt equal to the aggregate extension for principal and interest payments for non-referendum bonds that the Village issued prior to January 1, 1997. Limited bonds are general obligation bonds that are issued without referendum. These bonds must be identified as limited bonds at the time of issuance. The following bonds are not subject to PTELL limitations:

- Alternate revenue bonds
- Refunding obligations issued to refund or to continue to refund operations initially issued pursuant to referendum

4. Methods of Sale

All bonds shall be sold at a public sale via sealed proposal or live auction, except that bonds may be sold at a private sale in accordance with 30 ILCS 350/10. The Village may issue temporary notes by negotiated sale if the bond ordinance or subsequent resolution so provides.

- a. *Bonds:* All bonds will mature within the period or average period of usefulness of the assets financed; and the bonds will mature in installments, the first of which is payable not more than five years from the dated date of the bonds. Term bonds may be allowable if recommended by the Village's financial advisor, in lieu of a fixed maturity schedule, and approved by the Village Board.
- b. *Financial Advisor:* As a matter of independence, the Financial Advisor will not bid on nor underwrite any Village debt issues on which it is advising.

5. Credit Implications

When issuing new debt, the Village should not exceed credit industry benchmarks where applicable. Therefore, the following factors should be considered in developing debt issuance plans:

- a. *Ratio of Net Bonded Debt to Estimated Full Value:* The formula for this computation is Net Bonded Debt, which is the total outstanding debt divided by the current Estimated Full Value as determined by the Township Assessors.

<u>Current</u>	<u>Ceiling</u>	<u>Median</u>
1.18	4.00	2.42

- b. *Net Bonded Debt Per Capita:* The formula for this computation is Net Bonded Debt divided by the current population as determined by the most recent census information available.

<u>Current</u>	<u>Ceiling</u>	<u>Median</u>
\$1,142	\$2,000	N/A

- c. *Income Per Capita:* The formula for this computation is income for all households (the number obtained from the most current census data) divided by the current population as determined by the most recent census information available.

- d. *Ratio of Net Bonded Debt to Equalized Value:* The formula for this computation is Net Bonded Debt, which is the total outstanding debt divided by the current Assessed Value as determined by the Township Assessors.

<u>Current</u>	<u>Ceiling</u>	<u>Median</u>
3.54	6.00	N/A

- e. *Ratio of Annual Debt Service to General Government Expenditures:* The formula for this computation is annual debt service expenditures divided by General Government (i.e., General, Special, and Debt Service Funds) expenditures (excluding certain interfund transfers).

<u>Current</u>	<u>Ceiling</u>	<u>Median</u>
10.41	16.00	8.14

- f. *Rapidity of Debt Service Repayment:* Exclusive of refunding and mini-bond issues, the Village's general obligation bond issues shall be so structured whereby at least twenty percent of the principal and interest for each issue is repaid in five years, and fifty in ten years.

**Current ratio based on latest audited financials (4/30/10). Median values obtained from Moody's 2009 US Local Government Medians. N/A indicates ratio was not included as part of this data source.

D. Debt Administration

1. Financial Disclosures

The Village shall prepare appropriate disclosures as required by the Securities and Exchange Commission, the federal government, the State of Illinois, rating agencies, underwriters, investors, agencies, taxpayers, and other appropriate entities and persons to ensure compliance with applicable laws and regulations.

2. Review of Financing Proposals

All capital financing proposals that involve a pledge of the Village's credit through the sale of securities, execution of loans or lease agreements and/or otherwise directly involve the lending or pledging of the Village's credit shall be referred to the Village Administrator who shall determine the financial feasibility, and the impact on existing debt of such proposal, and shall make recommendations accordingly to the Village Administrator.

3. Investment of Bond Proceeds

The Village will invest bond proceeds in accordance with the Village's adopted investment policy.

4. Establishing Financing Priorities

The Village Administrator shall administer and coordinate the Village's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue, and marketing strategies. The Village Administrator along with the Village's financial advisor shall meet, as appropriate, with the Village Administrator and the Village Board regarding the status of the current year's program and to make specific recommendations.

5. Ratings Agency Relations

The Village shall endeavor to maintain effective relations with the rating agencies. The Village Administrator, Village Administrator, the Village Treasurer and the Village's financial advisors shall meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and regular basis in order to keep the agencies informed concerning the Village's capital plans, debt issuance program, and other appropriate financial information.

6. Investment Community Relations

The Village shall endeavor to maintain a positive relationship with the investment community. The Village Administrator and the Village's financial advisor shall, as necessary, prepare reports and other forms of communications regarding the Village's indebtedness, as well as its future financing plans. This includes information presented to the press and other media.

7. Refunding Policy

The Village shall consider refunding outstanding debt when legally permissible and financially advantageous. A net present value debt service savings of at least three percent or greater must be achieved.

8. Investment of Borrowed Proceeds

The Village acknowledges its ongoing fiduciary responsibilities to actively manage the proceeds of debt issued for public purposes in a manner that is consistent with Illinois statutes that govern the investment of public funds, and consistent with the permitted securities covenants of related bond documents executed by the Village. The management of public funds shall enable the Village to respond to changes in markets or changes in payment or construction schedules so as to (i) optimize returns, (ii) insure liquidity, and (iii) minimize risk.

9. Federal Arbitrage Rebate Requirement

The Village shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Tax Reform Act of 1986, as amended or supplemented, and applicable United States Treasury regulations related thereto. Such amounts shall be computed annually and transferred from the Bond Construction Fund (i.e., interest earnings revenue account) to the Debt Service Fund escrow account, or other appropriate accounts, for eventual payment to the United States Treasury.

In order to avoid arbitrage earnings on bond proceeds, Village staff shall recommend issuance of debt based upon the cash flow needs of the capital improvement project in which contracts for construction or other goods and services can reasonably be expected to be awarded during the calendar year. Consideration shall be given to the feasibility of obtaining rights-of-way, engineering services, or other matters which may affect the completion of the project in a timely manner, before a recommendation to issue debt is made.

E. Governmental Obligation Bonds Alternate Revenue Source Bonds

The Village may seek to finance the capital needs of governmental activities and its revenue producing enterprise funds through the issuance of Alternate Revenue Source debt obligations. These debt obligations are payable from various limited revenue sources.

1. Governmental Funds

Revenue sources pledged for governmental activities include income taxes, sales taxes, use taxes and utility taxes. The Village may only pledge up to 50% of the annual revenue received for debt service.

2. Enterprise Funds

Revenue sources pledged for enterprise funds include water and sewerage revenues. In addition, the Village has pledged revenue from income taxes, sales taxes and use taxes as additional funding for repayment of these obligations. The Village may only pledge up to 50% of the annual revenue received for debt service.

Prior to issuing Alternate Revenue Source debt obligations, the Village Administrator and Village Treasurer will develop financial plans and projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing and the impact of the planned financing on rate payers, property owners and the other affected parties. On an annual basis, the Village will review the percent of revenue stream that is pledged for repayment of debt for compliance with Village limitations. If it is not feasible to issue an Alternative Revenue obligation, then a revenue- secured debt obligation should be considered.

F. Conduit Financing

Under federal and state statutes the Village Board has the authority to issue tax-exempt bonds for non-profit organizations organized under Internal Revenue Code 501 (c) (3), and economic development revenue bonds, also known as private activity bonds, under the Tax Reform Act of 1986. These tax-exempt bonds shall be collectively referred to as conduit financings. The Village has no liability or responsibility for repayment of the debt authorized under these statutes.

The following policy and procedures shall be followed prior to the issuance of any such debt:

1. The applicant shall contact the Village Administrator or the Village Treasurer and submit a formal application for the issuance of a conduit financing.

2. For private activity bonds (economic development revenue bonds), the application shall include a written proposal which should include, but not be limited to, the following information, where applicable:
 - a. A description of the project including original issuance, refinancing, recollateralization or other action sought;
 - b. A statement indicating the amount of funding required for the project and a description of the purpose for which such funding will be used;
 - c. A description of any proposed financing arrangement for the project (e.g., loan agreement, or Village to own the project and lease to applicant);
 - d. A statement of the public purpose to be served by the issuance of economic development revenue bonds for the project;
 - e. An anticipated construction schedule and schedule for completing the financing;
 - f. The name and address of the proposed purchaser of the economic development revenue bonds proposed to be issued, if known;
 - g. A complete description, with such supporting exhibits as may be appropriate, of the physical aspects of the project;
 - h. Projected number of vehicles entering the facility area per day;
 - i. Ability of the streets to carry additional load;
 - j. Drainage/storm sewer requirements;
 - k. Utility requirements;
 - l. Ability of the schools to accommodate possible enrollment increases;
 - m. Financial stability of the applicant;
 - n. Description of principal business of applicant;
 - o. Number of employees anticipated at the new facility;
 - p. Number of new jobs to be created;

Village of Lemont, Illinois
Debt Management Policy
Adopted March 2015

- q. Number of management level employees;
 - r. Types of skills required by the facility's employees;
 - s. Yearly payroll/average employee salary;
 - t. Projected appraised/assessed value of the facility's real personal property in Lemont;
 - u. Number of years the prospective tenant has been in business;
 - v. Number of plant relocations since 1960, if applicable w. Civic Awareness
3. For the issuance of 501 (c) (3) bonds the proposal shall include all of the information listed in section 2. above as well as the following, as applicable:
- a. A statement of the public purpose to be served by the issuance of 501 (c) (3) revenue bonds for the project;
4. The information submitted by the applicant should be reviewed by the Village Administrator and the Village's financial and legal advisors and a summary of such information, together with an evaluation thereof and the recommendation of the staff should be presented to the Village Board as promptly as practicable thereafter. In addition, the Village may retain the services of qualified legal counsel to act as special counsel or the Village's financial advisor to do a study of the economic viability of the project. The applicant shall be responsible for all fees of the financial and legal advisors and shall deposit with the Village a sum sufficient to cover such costs and fees as determined from time to time by the Village Administrator.
5. The Village Board shall review the report presented to them by the Village staff as promptly as practicable after receipt thereof and shall take one of the following actions:
- a. Notify the applicant in writing that its proposal has been rejected and refund to the applicant any uncommitted balance of the deposit, if any.
 - b. Adopt a resolution of intent to proceed with the project and refund to the applicant any uncommitted balance of the deposit, if any.
6. If a resolution of intent is adopted by the Village Board, the financing, refinancing, or recollateralization may proceed pursuant to the provisions of this policy. All costs of issuance associated with such financing, including any expenses attributable to the Village, shall be borne by the applicant.

G. TIF Debt

Tax Increment Financing debt is excluded from this policy as it is governed by the specific TIF redevelopment agreement.

Village of Lemont, Illinois
Fund Balance Policy
Adopted March 2015

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A. Purpose and Scope

Fund Balance is defined as the excess of assets over liabilities. This Fund Balance Policy establishes a minimum level (target range) at which the projected end-of-year fund balance should be maintained to provide financial stability, cash flow for operations, and the assurance that the Village will be able to respond to emergencies with fiscal strength.

The purpose of this policy is to establish fund balance classifications that establish a hierarchy based on the extent to which the Village must observe constraints imposed upon use of the resources that are reported by the governmental funds. More detailed fund balance financial reporting and the increased disclosures will aid the user of the financial statements in understanding the availability of resources.

The fund balance will be composed of three primary categories: 1) Nonspendable Fund Balance, 2) Restricted Fund Balance and 3) Unrestricted Fund Balance.

B. Definitions

1. *Governmental Funds* - are used to account for all or most of the Village's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds) and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all activities of the Village not accounted for in some other fund.
2. *Fund Balance* – the difference between assets and liabilities in a Governmental Fund.
3. *Nonspendable Fund Balance* – the portion of a Governmental Fund's net assets that are not available to be spent, either short-term or long-term, in either form or through legal restrictions (e.g, prepaid items)
4. *Restricted Fund Balance* – the portion of Governmental Fund's net assets that are subject to external enforceable legal restrictions (e.g., property tax levies).
5. *Unrestricted Fund Balance* – is made up of three components:
 - a. *Committed Fund Balance* – the portion of a Governmental Fund's net assets with self-imposed constraints or limitations that have been placed at the highest level of decision making
 - b. *Assigned Fund Balance* – the portion of a Governmental Fund's net assets to denote an intended use of resources
 - c. *Unassigned Fund Balance* – available expendable financial resources in a governmental fund that are not the object of tentative management plan (i.e., assignments). Positive unassigned fund balance can only be reported in the general fund. Any residual fund balance in all other governmental funds is assumed at a minimum to be assigned for the purpose of the fund.

C. Minimum Unrestricted Fund Balance Levels

This policy applies to the Village's governmental funds as follows:

1. *General Fund* – The General Fund is a major fund and the general operating fund of the Village. It is used to account for all financial resources except those that are accounted for in another fund. Each year a portion of the spendable fund balance will be determined as follows:
 - a. Restricted - A portion of the fund balance may be restricted through external legal requirements.
 - b. Committed – A portion of the fund balance may be committed through formal action of the Village's Board of Trustees through a resolution or ordinance adopted before the end of the fiscal year.
 - c. Assigned – A portion of the fund balance may be committed by action of the Village Administrator/Budget Officer. The amount will represent the funds the Village intends to use for a specific purpose. This will be adjusted annually.
 - d. Unassigned – The unassigned fund balance will be reviewed annually during the budget process. This unassigned fund balance will be maintained at a target level of 30%% of annual budgeted operating expenditures. Operating Expenditures does not include one-time capital equipment and transfer of funds. Balances in excess of 40% of annual budgeted expenditures may be transferred to the Capital Project Fund to support future capital projects.
2. *Working Cash Fund* – The working cash fund is a permanent fund. The Working Cash fund provides the Village with a source for internal borrowing to meet short-term liquidity needs. Working cash revenues are restricted by Illinois state statute (65 ILCS 5/). Therefore, no specific target range is established for this fund
3. *Special Revenue Funds* – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes other than debt services or capital projects. Financing for most special revenue funds is provided by a specific annual property tax levy. In some cases, financing is received from a motor fuel tax imposed by the state. These proceeds are devoted exclusively to the purposes for which the special tax was authorized.

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- a. Motor Fuel Tax Fund – this is a fund established to account for revenues derived from a specific motor fuel allotment and expenses of these monies for the highways and streets throughout the Village. Per state statute, Motor Fuel Tax Fund program revenue is legally restricted to the purpose of the fund. Therefore, the entire balance of the fund will be restricted. Furthermore, the fund balance of the Motor Fuel Tax Fund is 100% committed for maintenance and construction. Increases and decreases in fund balances are associated with the specific projects planned. Therefore, no specific target range is established for this fund.
 - b. IMRF Fund - The IMRF Fund accounts for the activities resulting from the Village’s participation in the Illinois Municipal Retirement Fund. Revenues are provided by a specific annual property tax levy which produces a sufficient amount to pay the Village’s contributions to the Fund on behalf of the Village’s employees. Fund balances in this fund are derived from property taxes and are therefore legally restricted to the purpose of the fund. The fund balance should represent no less than three months (25%) with a target range of 3 to 6 months (50%) of operating expenditures. This fund will be monitored and the taxes levied to support the expenditures will be adjusted to ensure that the Fund operates within the target range. It may take more than one levy cycle to ensure that the funds are operating in the proper range.
 - c. Social Security Fund – The Social Security Fund accounts for all activities resulting from the Village’s contributions for social security. Revenues are provided by a specific annual property tax levy which produces a sufficient amount to pay the Village’s contributions on behalf of the Village’s employees. Fund balances in this fund are derived from property taxes and are therefore legally restricted to the purpose of the fund. The fund balance should represent no less than three months (25%) with a target range of 3 to 6 months (50%) of operating expenditures. This fund will be monitored and the taxes levied to support the expenditures will be adjusted to ensure that the Fund operates within the target range. It may take more than one levy cycle to ensure that the funds are operating in the proper range.
4. Debt Service Fund – This fund was established to account for financial resources that are restricted, committed, or assigned to payment of principal and interest owed on debt. The Village budgets an amount of approximately the principal and interest that is anticipated to be paid. Any fund balance accumulation should be minimum and less than 5%.

The Debt Service Fund’s fund balance is 100% restricted for debt service.

5. Capital Project Funds – These funds are established to account for and report the financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, excluding those types of capital related outflows financed by proprietary funds.

The Capital Project Fund's fund balance will be considered restricted, committed, or assigned depending on the intended source/use of the funds.

D. Flow Assumptions

Some projects (funds) are funded by a variety of resources, including both restricted and unrestricted (committed, assigned and unassigned). When restricted funds exist, those funds are used first, then unrestricted. For unrestricted funds, committed funds are used first, then assigned, then unassigned.

E. Authority

1. Committed Fund Balance – A self-imposed constraint on spending the fund balance must be approved by ordinance or resolution of the Village Board. Any modifications or removal of the self-imposed constraint must use the same action used to commit the fund balance.

Formal action to commit fund balance must occur before the end of the fiscal year. The dollar amount of the commitment can be determined after year-end.

2. Assigned Fund Balance – A self-imposed constraint on spending the fund balance based on the Village's intent to use fund balance for a specific purpose. The authority may be delegated to the Village Administrator.

F. Minimum Targets

Management will monitor the major revenue collections and the amount of cash available by reviewing the monthly financial reports. During the year, if revenue projections suggest that revenue will not meet expectations and the fund targets will not be met by the end of the year, the Village Administrator will take the following actions to reach the goals established in the adopted budget:

- Review expenses with management,
- Reduce capital asset expenditures,
- Reduce operational expenditures, where appropriate, while maintaining the adopted budget goals,
- Present to the Village Board other expenditure control options, including those that might modify the goals established in the adopted budget.

G. Exceptions to the Policy

If the Village Board adopts a budget that does not meet the parameters of this policy, then the budget will include a plan for adhering to this Policy within a five-year period.

Village of Lemont
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Adopted: March 2015

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A. Scope

This Policy applies to the cash management and investment activities of the Village of Lemont and covers all Village funds other than those of the Police Pension Plan. It is the policy of the Village of Lemont to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds. With the exception of the Police Pension Fund, all other funds of the Village shall be administered in accordance with the provisions of this policy. The Police Pension Fund shall be administered in accordance with the contractual and statutory requirements of that fund. Any monies received for the Police Pension Fund shall be administered by the written order of the Board of Trustees of that Fund.

Pooling of Funds

Except for cash in certain restricted and special funds, the Village will consolidate cash and investment balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles monthly.

B. Objectives

The primary objectives of investment activities, in priority order, shall be Legality, Safety, Liquidity, and Total Return.

1. Legality

The Village's investments will be in compliance with all federal, state and other legal statutes and requirements governing the investment of public funds.

2. Safety

Safety of principal, along with legality, are the foremost objectives of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk, custodial credit risk, and interest rate risk in the overall portfolio. The Village shall diversify its investments to minimize risks regarding individual securities.

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a. Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village will minimize credit risk by:

- Limiting investments to the types of securities listed in Section E of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business in accordance with Section D.1. of this policy.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank or counterparty failure, the Village's collateral securing uninsured deposits or investments may not be recovered. The Village will minimize custodial credit risk over deposits with financial institutions by ensuring that all deposits with financial institutions are insured or collateralized with securities held by the Village's agent in the Village's name.—All investments shall be conducted on a Delivery vs Payment (DVP) basis. Securities will be held by a third-party securities custodian designated by the Village separate from where the investment was purchased.

c. Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village will minimize interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the weighted average maturity of the portfolio to no more than two years and limiting the maximum maturity of any investment to three years from the date of purchase, unless matched to a specific future cash flow need.

3. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. Alternatively, a portion of the portfolio may also be placed in local government investment pools which offer same-day liquidity for short-term funds.

4. Total Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the legality, safety and liquidity objectives described above. Return on investments is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

C. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person,” which states “ Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probably safety of their capital as well as the probable income to be derived” and shall be applied in the context of managing the entire portfolio.

Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

3. Delegation of Authority

Authority to manage the investment program is granted to the Village Administrator derived from the following: 30 ILCS 235 et. seq. The Village Administrator or designee establishes written procedures and internal controls for the operation of the investment program that is consistent with the investment policy. **Procedures should include references to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements.** No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Village Administrator. The Village Administrator and Village Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, including outside investment managers.

D. Safekeeping and Custody

1. Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.

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- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read and understood and agreeing to comply with the Village's investment policy.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Village Administrator.

2. Internal Controls

The Village Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Village Administrator shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and recordkeeping.
- Custodial safekeeping.
- Avoidance of physical-delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of telephone transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Development of a wire transfer agreement with the lead bank or third party custodian.

See Attachment A: Village of Lemont Investment Procedures and Internal Controls Manual.

3. Delivery vs Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible Village custodian prior to the release of funds.

4. Safekeeping

Securities will be held by a [centralized] independent third-party custodian selected by the Village as evidenced by safekeeping receipts in the Village's name and a written custodial agreement. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

E. Suitable and Authorized Investments

1. Investment Types

Except as modified herein all investments purchased under this policy shall be guided by the Public Funds Investment Act 30 ILCS 235 et seq. and all revisions thereto, as may be made by the Illinois Legislature. Below is a summary of acceptable investments as determined by the Village Administrator in compliance with the applicable statute:

- a. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value and are rated A or better by a nationally recognized ratings agency.
- b. Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the three highest tier (e.g., A-1, P-1, D-1, or F- 1 or higher) by a nationally recognized rating agency
- c. Investment-grade obligations (rated A or better by a nationally recognized ratings agency) of state, provincial and local governments and public authorities.
- d. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.
- e. Local government investment pools.

Investment in derivatives shall be prohibited without the approval of the Board of Trustees of the above instruments shall require authorization by the appropriate governing authority.

2. Collateralization

Monies held in depository accounts, time deposit accounts, or money market mutual funds, or invested in the certificates of deposit of financial institutions (banks, savings and loan associations, or credit unions) in excess of FDIC or SAIF insurance shall be secured by some form of collateral. The Village will accept the following assets as collateral:

- (a) U.S. Government securities.
- (b) Obligations of federal agencies.
- (c) Obligations of federal instrumentalities.
- (d) General obligation bonds of any United States state or local government rated “A” or better (i.e., at least upper medium quality) by Moody’s Investors Service, Standard & Poor’s Rating Service, or Fitch Investors Service.

The chief investment officer may reject any form of collateral at any time.

The amount of the collateral provided by a financial institution will not be less than 110% of the market value of the net amount of deposits and investments to be secured. The ratio of market value of collateral to the amount of funds to be secured will be reviewed monthly by the chief investment officer. Additional collateral will be requested of a financial institution when the ratio declines below the required level. Collateral may not be released without the signature of the chief investment officer. Pledged collateral will be held in safekeeping, by an independent third-party depository, or the Federal Reserve Bank, as designated by the chief investment officer, and evidenced by a safekeeping receipt.

The market value of collateral will be determined based upon quotations reflected in the edition of *The Wall Street Journal* published on the first business day following the quarter concerned. (This edition will report the market value of securities as of the last day of the quarter concerned.) If a security provided as collateral is not listed in *The Wall Street Journal*, its market value will be determined using a comparable source acceptable to the chief investment officer.

Financial institutions pledging collateral will sign a collateral agreement that meets the requirements of the Financial Institution Resource Recovery Enforcement Act (FIRREA) acceptable to the chief investment officer.

F. Investment Parameters

1. Diversification

The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). No more than 10% of the portfolio can be invested in any one investment.
- Limiting investment in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2. Maximum Maturities

To the extent possible, the Village shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three (3) years from the date of purchase. The Village shall adopt weighted average maturity limitations, consistent with the investment objectives, as previously noted.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in these types of securities shall be disclosed in writing to the Board of Trustees.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

G. Reporting

The Village Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This management summary will be prepared in a manner which will allow the Village to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Village Administrator and the Village Board Finance Officer. The report will include the following:

- Listing of individual securities held, by fund, at the end of the reporting period reporting original cost and current market value of each security.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investments by maturity date.
- The purchase and safekeeping institutions.

H. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmark shall have a similar weighted average maturity as the portfolio.

I. Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This review of the investment portfolio, in terms of value and price volatility, should be performed consistent with the GFOA Recommended Practices on “Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools”. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

J. Policy Consideration

1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Village board in consultation with the individuals charged with maintaining internal controls.

K. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the Village Board of the Village of Lemont and reviewed annually.

Investment Procedures and Internal Controls Manual – Attachment A

A. Introduction

The Finance Department and Village Administrator is responsible for conducting cash and investment transactions for all funds (except the Police Pension Fund) held by or for the benefit of the Village of Lemont. The responsibility for the administration of the investment program has been delegated to the Village Administrator and Village Treasurer, who shall implement the following investment procedures and internal controls, as prescribed by the Investment Policy.

B. Objective

The Procedures and Internal Control Manual provides an outline for cash and investment transactions. This manual shall be reviewed on a yearly basis for possible revisions by the Village Administrator and Village Treasurer to ensure that the manual is current with investment industry standards and practices.

C. Prudence and Standard of Prudence

The standard of prudence to be used by the investment staff shall be that of a “prudent person” and shall be applied in the context of managing the overall portfolio. The Village Treasurer, or persons performing the investment functions, acting in accordance with written policies and procedures and exercising due diligence, shall not be responsible for an individual security’s credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control or mitigate adverse developments.

The “prudent person” standard is herewith understood to mean the following:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

D. Investment Decisions

The investment staff, which includes the Village Administrator and Village Treasurer, shall adhere to the guidelines of the Village of Lemont’s Investment Policy regarding all investment procedures or any other cash and investment transactions.

Investment Procedures and Internal Controls Manual – Attachment A

E. Chain of Command

For the purpose of obtaining approval on investment matters not addressed in the Investment Policy, the following chain of command is appropriate:

1. Village Board of Trustees
2. Village Administrator
3. Village Treasurer

F. Duties and Responsibilities

The Village Administrator and the Village Treasurer have specific duties and responsibilities as stated in their respective position descriptions. The Village Administrator shall be responsible for the management of the investment program and the Village Treasurer shall be responsible for the daily operational duties (i.e., purchases, sells, bank transfers, wires, and reports) with another finance department employee responsible for the accounting along with monitoring compliance with the internal control procedures.

G. Ethics and Conflict of Interest

For the protection of the investment staff, it is imperative that full disclosure be made by investment personnel and the Board of Trustees to the Village Administrator of any material interests which they may hold in a financial institution (brokers/dealers, banks, etc.) which conducts business with the Village.

H. Separation of Duties

Investment staff shall observe proper segregation of duties while engaged in investment activities. Persons responsible for approving investment transactions should not be engaged in activities relating to the recording of transactions in the financial records or the reconciliation of cash and safekeeping account statements.

I. Reporting Requirements

A quarterly report shall be prepared and forwarded to the Village Administrator who in turn shall forward to the Village Board. The report shall contain, but not be limited to, the following information:

- | | |
|----------------------------|-----------------------------------|
| a) Security ID | f) Par value |
| b) Purchase date | g) Original cost value |
| c) Maturity date | h) Coupon rate (if applicable) |
| d) Purchase institution | i) Yield to maturity |
| e) Safekeeping institution | j) System assigned account number |

Investment Procedures and Internal Controls Manual – Attachment A

A mark-to-market report shall be prepared on a quarterly basis. This report shall include the market value, book value, and unrealized gain or loss of the securities in the portfolio. These values should be obtained from a reputable and independent source.

J. Operations

“Operations” is defined as those necessary procedures and duties required to maintain a properly working department on a daily basis.

1. Daily Investment Procedures

The following is a basic outline of routine daily procedures necessary to maintain proper documentation on cash and investment transactions.

Each morning, the daily bank balances shall be obtained from the depository bank via computer.

The Village Treasurer shall be responsible for providing the Village Administrator with daily information regarding the cash requirements and required maturity dates for all funds.

2. Daily Investment Worksheet (“cash book”)

On a daily basis, it is necessary to monitor cash activity within specific bank accounts for the purpose of determining net cash available for investment. A “cash book” shall be maintained by the Village Senior Fiscal which shall include a summary of daily cash inflows and outflows by bank account and corresponding book balances at the end of each day.

A review of the “cash book” shall be conducted by the Village Treasurer and shall consider net available cash for investment as well as future anticipated cash flows for the purpose of determining the amount and duration in which funds might be invested.

All cash and investment transactions shall be journalized, by bank account, and given to the Village Treasurer before 2:00 p.m. each day.

Proper documentation and authorization shall be required before any cash or investment transaction is executed.

Investment Procedures and Internal Controls Manual – Attachment A

3. Authorized Wire Transfers

Only the Village Treasurer shall be authorized to originate the wiring Village funds for investment and payment of debt service purposes to established Village bank accounts. Wire instructions and personal identification numbers (PIN's) shall be safeguarded by the authorized representatives.

All bank transfer requests shall be in writing and approved by an authorized representative and all requests shall be filed with the investment work-up documents. All bank transfers will require two signatures, the Village Treasurer and the Village Administrator. Phone wire transfers may be performed provided such requests are made over recorded lines and a written confirmation of the transfer is prepared by the bank. The purpose of the bank transfer must be noted as part of the transfer information.

Wire transfers shall be confirmed by a third party independent of the authorization function.

4. Securities' Confirmations

The processing of securities' confirmations, including the filing and reconciling, shall be reviewed by an individual who did not execute the purchase or sale. All confirmations for securities, including certificates of deposit, shall be attached to the daily investment work-up documentation. The original confirmations are not permitted to leave the Finance Department, and only copies will be provided upon request.

Upon receipt, the safekeeping account listing shall be reconciled against the appropriate investment reports.

5. Coupon Notices

Securities which periodically pay coupons will require that the amount of the coupon payments be transferred to the appropriate bank account and a journal entry prepared and given to the Village Treasurer.

Investment Procedures and Internal Controls Manual – Attachment A

6. Safekeeping Procedures

All securities purchased for the Village shall be received by “delivery vs. payment” (DVP) to the Village’s designated custodian for safekeeping. The Village’s designated safekeeping institution shall be notified of the trade prior to or on the day of settlement. Confirmation of the delivery will include the type of security purchased/sold, CUSIP, coupon rate (if applicable), maturity, purchase and settlement dates, par value and purchase price.

Nonnegotiable Certificates of deposit are permitted to be safekept at the issuing bank provided they are fully collateralized and pledges are held at an independent third party institution. Negotiable certificates of deposit should be on a DVP basis as noted above. All certificates of deposit confirmations must be verified against the appropriate investment reports and general ledger account on a monthly basis.

Additional requirements and procedures are outlined in the Third-Party Custodial Safekeeping Agreement regarding safekeeping procedures.

K. Accounting for Investment Transactions

Investments shall be recorded in the financial records at original cost. Interest income will be recognized at maturity or amortized as of the last day of the fiscal year according to the effective interest method of amortization.

L. Investment Information

1. Internal Investment Reports

Investment reports are generated by the Village Treasurer. Each report shall be checked against the original documentation and the appropriate general ledger accounts to ensure the accuracy of the reports on a monthly basis. Furthermore, the investment reports shall be safekept by the Finance Department.

2. Market Values

Market values shall be calculated on a quarterly basis by the Village Treasurer and a report provided to the Village Administrator and the Board of Trustees.

3. Trust Statements

Original statements for the Village’s investment accounts which are held by a custodian shall be reconciled by the Village Treasurer on a monthly basis.

Investment Procedures and Internal Controls Manual – Attachment A

M. Selection of Dealers and Bankers

As stated in the Village of Lemont’s Investment Policy, the Village Treasurer shall only purchase securities from financial institutions which are qualified as public depositories by the Village of Lemont or from broker/dealers that were selected based on credit worthiness that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The Finance Department shall provide each authorized dealer a copy of the Village’s Investment Policy and each dealer shall be required to submit, in writing, a statement that they have received, read and understand the Village’s investment policy. This statement shall be submitted to the Village Administrator.

Once all requirements are met, the Finance Department will provide the dealer with a list of staff members who are authorized to conduct cash and investment transactions.

N. Security Selection Process

When purchasing or selling securities, the Finance Department shall select the security which provides both the highest rate of return within the established parameters of the Investment Policy and satisfies the current objectives and needs of the Village’s portfolio. These selections shall be made based on a minimum of two (2) bids/quotes (unless securities are being purchased at the FED window) being obtained from banks and/or broker/dealers on the securities in question.

Two bids/quotes are not necessary in the following situations:

1. When time constraints due to unusual circumstances preclude the use of the competitive bidding process.
2. When no active market exists for the issue being traded due to the age or depth of the issue.
3. When a security is unique to a single dealer, for example, a private placement.
4. When the transaction involves new issue or issues in the “when issued” market.

When using the competitive bid process, all bids shall become part of the record of the specific security involved.

Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

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Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

A. Scope

The Revenue and Cash Management Policy applies to all revenue collected, except where state or federal laws supersede. Major revenue sources for the Village of Lemont include real estate taxes, franchise revenues, state shared revenues, utility usage, licenses and permits, fines, and charges for services. Proper controls over revenue are essential to maintaining strong financial management practices.

B. Internal Controls

All aspects of cash receipts and accounts receivable shall be subject to proper internal controls. Management of each department shall be familiar with the Revenue and Cash Management Policy and established internal controls that are properly documented and followed by staff members. Internal controls include:

1. Segregation of duties for authorization, recording and custodian functions.
2. Daily processing of cash receipts and accounts receivable transactions.
3. Timely deposit of funds.
4. Timely reconciliation to the general ledger and other supporting ledgers.
5. Establishment of physical security procedures.
6. Notification of management upon suspicion of fraud. Management shall then notify the appropriate authorities (e.g., law enforcement, state agencies) in a timely manner for further investigation.

See Attachment A: Revenue and Cash Management Procedures and Internal Control Manual for additional documentation of procedures and controls.

C. Accounting Procedures

All receipts and receivables shall be recorded in keeping with current authoritative standards and practices, including:

1. Revenue shall be recorded in the proper general ledger account by fund and revenue source.
2. Revenue shall be recorded in the proper fiscal accounting period in accordance with the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise and internal service fund and governmental and business type activities. The Village will strive to minimize differences in revenue recognition for governmental funds and governmental activities.

D. Invoicing Procedures

1. General Accounts Receivable

Accounts receivables shall be established for services provided in advance of payment. The Village maintains accounts receivable for business licenses, liquor licenses, cigarette licenses, scavenger licenses, health inspection licenses and amusement licenses. These accounts are invoiced in advance on an annual basis covering the period May 1 to April 30, with the exception of liquor licenses which are invoiced on a semi-annual basis. In addition, the Village invoices for Police Special Details. The Police Special Details bills represent reimbursements for services performed and are billed when incurred.

- a) All initiated bills shall have a due date of 30 days from the bill date, unless otherwise stated per ordinance or resolution. Invoices for license renewals shall be generated by April 1, allowing 30 days for payment prior to due date of May 1. Police Special Detail bills shall be generated within 30 days after the payroll date that identifies the special detail assignment.
- b) All invoices for license renewals and Police Special Details shall be produced and maintained by the Finance Department.
- c) Bills shall be generated in the accounting system software accounts receivable module. The accounts receivable module automatically updates the general ledger upon generation

2. Water and Sewerage Receivable

The Village maintains accounts receivable for water and sewerage services. The Village is divided into two sections. Each section is invoiced every other month for a two month billing period. The sections are rotated to allow for monthly billing process representing half of the households.

- a) All initiated bills are dated the 1st day of the month, covering usage for the two months ended the last day of the prior month. Bills have a due date on the 20th day of the month.
- b) An accounts receivable aging for all water and sewer billings is maintained by the Water Billing Supervisor.
- c) Bills shall be generated using the accounting system software utility billing module. The meter readings automatically update the utility billing module. The utility billing module automatically updates the general ledger.

Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

E. Receipt of Funds

The Finance Department shall serve as primary recipient for all revenue collection sites. Each department with remote collection responsibility shall utilize a separate cash register and establish and maintain an adequate system of internal controls for receipts. Controls shall include, at a minimum, the following:

1. The method of payment (e.g., cash, check or credit card) shall be indicated on the receipt. This is entered into the accounting system software at time of transaction.
2. Identification of the individual receiving payment on receipt. The accounting system software identifies the Finance Department Clerk who is logged onto the computer to process the receipts.
3. Wherever possible, the receipt shall allow for immediate revenue account classification in conformance with the established chart of accounts. If not possible, the department and fund shall be indicated.
4. Restrictively endorsement (stamped for deposit only) of checks at the point and time of collection.
5. Reconciliation of collections by an individual not involved in the receipting or posting process or establishment of mitigating controls.
6. Recording of receipts in the financial accounting system on a timely basis.
7. Timely posting of adjustments with supervisory approval required
8. Timely reconciliation and deposit of funds received.

See Attachment A: Revenue and Cash Management Procedures and Internal Control Manual for additional documentation of current procedures and controls.

F. Remote Sites

Remotes sites for the Village include the Police Department. In addition, customers may pay for vehicle stickers at the local bank. Controls shall include, at a minimum, the following:

1. Dollar Threshold: At any such point a remote collection site accumulates in the aggregate over \$1,000 in cash and/or \$2,500 in checks, such funds shall be deposited by the beginning of the next business day.
2. Timely Threshold: All collections shall be deposited within five business days of receipts.

Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

3. Un-deposited funds will be secured in a locked drawer or the safe.
4. Any differences in the cash reconciliation process will be investigated and resolved.
5. Personnel are prohibited from using change drawer to cash personal checks.

G. Collections

Each department shall establish and maintain an adequate system of internal control to provide for timely collection of receivables.

1. All accounts receivable shall be recorded in the accounting system software. The Water Billing Supervisor will maintain the Water and Sewerage Aged Trial Balance and the Village Treasurer will maintain the General Accounts Receivable Aged Trial Balance. The Village Treasurer will reconcile each subsidiary ledger to the general ledger on a monthly basis.
2. For those accounts that become past due, proper delinquent notice shall be provided to the payee.
3. For those accounts that are greater than 270 days past due and over \$1,000, notice and supporting detail shall be provided to the appropriate collection division for further collection efforts.
4. Assignment to a collection agency shall be considered. When cost effective, the government-wide selected collection agency shall be utilized to assure maximum collections.

H. Returned Checks

Each department shall establish and maintain an adequate system of internal controls for returned checks.

1. Unless otherwise stated per ordinance or resolution, all checks returned due to insufficient funds shall be processed by the Finance Department with assistance from the Water Billing Supervisor for those returned checks for water and sewerage billing.
2. Fees shall be charged for the returned check in accordance with applicable statutes or established practices. Returned checks shall be processed at least twice through the Village's financial institution.

Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

I. **Bad Debt**

Each department shall maintain an adequate system of internal controls to provide for the accurate and timely recognition of an allowance for doubtful account and bad debt expense.

1. The amount of the allowance for doubtful accounts shall be based upon the percentage of receivable method.
2. The computation of the allowance for doubtful accounts shall be performed annually based upon the aging of the receivables and recent history of write-offs at fiscal year end, subject to concurrence by the external auditors.
3. For write-offs; accounts with balances less than \$1,000, 360 days delinquent and with no payment activity for 360 days shall be eligible for write-off upon approval by the Village Board of Trustees.
4. For write-offs, balances greater than \$1,000, collection efforts shall be performed for a period equivalent to the statute of limitations or less if bankruptcy has been discharged for an account, business no longer exists, or individual is deceased, at which point such amounts shall be written-off upon department head's written concurrence.
5. For any account written-off, such customer information shall be retained for five years and service denied on credit until previously written-off balances have been satisfied, unless specifically approved by the Village Administrator.

J. **Budgetary Review**

Revenue collections and accounts receivable shall be monitored in a timely manner.

1. Revenue initiating departments shall have oversight in the formulation of revenue budgets.
2. Revenue budget estimates shall be supported with documented variable assumptions (base, rate, etc).
3. Monitoring of revenue budget shall be performed in a timely manner throughout the fiscal year and shall include an analysis of actual versus budgeted variances. Revised forecasts shall be communicated to the Budget Officer on a timely basis.
4. Continued compliance of revenue with all laws and/or regulations shall be the responsibility of the revenue initiating department.

Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

K. **Escrowed Funds**

Funds received by the Village in advance of revenue recognition or funds anticipated to be remitted back to the payee shall be recorded in an escrow liability account. The Village escrow agreement does not provide for the establishment of interest bearing accounts. The Village Planning Department maintains the Escrow Caseload File by Client, which includes an excel summary of escrow account activity. The Village will not maintain a receivable balance for developers. In the event of a net receivable, the developer will be required to replenish the escrow fund within a 30 day time period. The Finance Department reconciles the detail to the general ledger on a monthly basis.

Funds received through impact fees will be reconciled on a monthly basis and remitted to the agency within 30 days of the reconciliation.

L. **Bond Payable Funds**

Funds received by the Village as insurance of performance and anticipated to be remitted back to the payee shall be recorded in a bond payable account. The Village maintains a detail listing of funds received and returned by permit number. The Finance Department reconciles the detail to the general ledger on a monthly basis.

M. **Forfeited Asset Proceeds**

The Village shall maintain an adequate system of internal controls for proceeds from asset forfeitures to ensure compliance with applicable laws and regulations.

1. A separate bank account will be maintained for forfeited asset proceeds. A separate revenue general ledger account will be maintained for each type of forfeiture proceeds.
2. All interest income generated by forfeiture accounts must be deposited and recorded into the corresponding bank and general ledger account on a timely basis.
3. The Finance Department and Police Department will maintain procedures to ensure expenditures of proceeds are in accordance with applicable laws and regulations.
4. The Finance Department will reconcile the forfeiture general ledger accounts on a monthly basis.
5. All required reports must be completed and filed with the appropriate authority on a timely basis.

NOTE: See Asset Forfeiture Procedures Manual for additional documentation of procedures and controls.

Village of Lemont
Revenue and Cash Management Policy
Adopted: March 2015

N. **Record Retention**

The Village shall retain all records related to revenue and cash management for a period of seven years. All records sent for destruction will be documented and approved by the Village Administrator prior to destruction.

LEMONT POLICE PENSION FUND
Statement of Investment Policy, Objectives and Guidelines
April 2014

I. Scope and Purpose

This investment policy applies to all assets of the Lemont Police Pension Fund. The Primary objective of the Lemont Police Pension Fund is to provide eligible employees with retirement benefits and ensure appropriate funding.

II. Parties Associated with the Plan

A. Board of Trustees for the Lemont Police Pension Fund

1. Holds ultimate responsibility for the Fund and the appropriateness of its investment policy and its execution.
2. May retain consultants, money managers, and other advisors to implement and execute investment policy as it relates to the Fund.
3. Reviews adequacy or need for change of this statement.
4. Meets quarterly and reviews reports concerning the Funds asset management.
5. Engages a custodian.
6. Defines investment policy, objectives, and guidelines for the Fund including risk tolerance.
7. Ensures administration of the Fund in accordance with the Illinois Pension Code, Illinois Compiled Statutes Chapter 40 Act 5 Articles 1 and 3.

B. Custodian

1. Accepts possession of securities for safe keeping; collects and disburses income; collects principal of sold, matured or called items; and provides accurate, timely market value pricing, including accrued interest, for all securities under their care.
2. Provides timely monthly statements, which accurately detail all transactions in the accounts, as well as accurately describe all of the securities owned.
3. Effects receipt and delivery following purchases and sales of securities on a timely and accurate basis.
4. Ensures that all cash is productively employed at all times.
5. Meets as required with the Board of Trustees, and provides reports relative to the status of the Plan.

C. Investment Consultant

1. Assists the Board of Trustees in developing investment policy guidelines, including asset class choices, asset allocation targets and risk diversification.
2. Conducts money manager searches when requested by the Board of Trustees.
3. Provides the Board of Trustees with objective information on a broad spectrum of investment decisions, and assists in evaluating the merits of each particular investment product, and money manager as to the track records, management styles and quality.
4. Monitors the performance of the aggregate plan, investment managers, and provides regular quarterly reports to the Board of Trustees, which aids them in determining the progress towards the investment objectives.

D. Money Managers

1. Will have full discretion in the management of the assets allocated to the investment managers, subject to overall investment guidelines set by the Board of Trustees.
2. Serve as fiduciaries responsible, and will be held to the Prudent Expert Standard for specific securities decisions.
3. Will abide by the Illinois Pension Code which governs Illinois Downstate Police Pension Funds, Illinois Compiled Statutes Chapter 40 Act 5 Articles 1-113.2, 1-113.3 and 1-113.4, and will abide by duties, responsibilities and guidelines detailed in any specific investment manager agreement entered into by the manager and Board of Trustees.
4. Will report at least quarterly the current investments held in their account, their current market value and all transactions within the account.
5. Will communicate any major changes in economic outlook, investment strategy, or any other factors, which affect implementation of their investment process, or the investment objective of the Plan.
6. Will inform the Board in writing of any qualitative change in the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

III. Investment Objectives and Guidelines

A. Policies

1. The primary policies of the fund, in order of priority are as follows:
 - a) **Safety** Investments shall be undertaken in a manner that seeks to ensure the preservation of capital. As such, the Board of Trustees has consciously diversified the aggregate fund to ensure that adverse or unexpected results will not have an excessively detrimental impact on the entire portfolio. Diversification is to be interpreted to include diversification by asset type, by characteristic, by number of investments, and in the case of investment managers, by investment style.
 - b) **Liquidity** The investment portfolio will remain sufficiently liquid to enable the pension fund to pay all necessary benefits and meet all operating requirements, which might be reasonably anticipated.
 - c) **Return on Investment** Assets will be invested to achieve attractive real rates of return. Following the Prudent Man Standard for preservation of capital, assets will be invested to achieve the highest possible rate of return, consistent with the plans tolerance for risk as determined by the Board of Trustees in its role as a fiduciary.
2. Investment management can be delegated to external professional organizations. The managers will operate within a set of guidelines, objectives, and constraints, which are attached hereto. It is the judgment of the Board at this time that there is no immediate need for liquidity with respect to those assets which are managed by money managers. In the short term, the Board believes that the obligations of the fund will be met by other monies and should not be a concern of any investment manager. The Board will periodically provide investment managers with an estimate of expected net cash flows with sufficient advance notice to allow the orderly buildup of necessary liquid reserves.
3. The Board of Trustees will follow the policy that, except for established guidelines and unusual circumstances, the fund's investment managers will place no restrictions on the selection of individual investments.
4. As a Downstate Police Pension Fund in the State of Illinois, the Illinois Pension Code, Illinois Compiled Statutes Chapter 40 Act 5 Articles 1 and 3 restrict the Fund. These statutes are hereby incorporated into this policy statement by reference herein.
5. Investments made in contracts and agreements of Life Insurance Companies licensed to do business in the State of Illinois shall be rated at least A+ by A.M. Best Company, Aa rated by Moody's, and AA+ rated by Standard and Poor's rating services. Notwithstanding, the portfolio of the general account of the Insurance Company shall not invest more than 10% of the portfolio in real estate and/or more than 10% of the portfolio in bonds with ratings of less than Baa1 by Moody's or BBB+ by Standard and Poor's.
6. The total investment in the accounts described in paragraph 5 above shall not exceed 10% of the aggregate market value of the Fund.
7. Investment grade general obligation debt issued by the State of Illinois or any county, township or Municipal Corporation of the State of Illinois may be held in the portfolio. Issuers that are downgraded to less than investment grade by one of the two largest rating services must be sold within 90 days.
8. Investment grade U.S. dollar denominated non-convertible corporate bonds may be held in the portfolio. Said securities shall be rated investment grade by at least one of the two largest rating services at time of purchase. Said securities shall be sold within 90 days if the issuer is downgraded to less than investment grade by any of the major rating agencies.
9. Proxies shall be voted by the Board of Trustees unless investment advisors who have discretionary control over assets of the plan are employed. Then the plans managers shall vote all proxies in the best interest of the pension plan. Should voting issues or situations arise where an investment manager needs clarification; the Board of Trustees should be considered as the source for such clarification.
10. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Fund.
11. All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible Pension Fund custodial account prior to the release of funds.
12. Except for pecuniary interest permitted under subsection (f) of Section 3-14-4 of the Illinois Municipal Code or under Section 3.2 of the Public Officer Prohibited Practices Act, no person acting as Treasurer or Financial Officer or who is employed in any similar capacity by or for a public agency may do any of the following:

- a) Have any interest, directly or indirectly, in any investments in which the agency is authorized to invest.
 - b) Have any interest, directly or indirectly, in the sellers, sponsors, or managers of those investments.
 - c) Receive, in any manner, compensation of any kind from any investments in which the agency is not authorized to invest.
13. It is the policy of the Pension Fund and in accordance with GFOA's Recommended Practices on the Collateralization of Public Deposits (attachment 1), the Fund requires that funds held in depository accounts, time deposit accounts, or money market mutual funds, or invested in the certificates of deposit of financial institutions (banks, savings and loan associations, or credit unions) in excess of FDIC or SAIF insurance shall be secured by some form of collateral. The Village will accept the following assets as collateral:
- a) U.S. Government securities.
 - b) Obligations of federal agencies.
 - c) Obligations of federal instrumentalities.
 - d) General obligation bonds of any United States state or local government rated "A" or better (i.e., at least upper medium quality) by Moody's Investors Service, Standard & Poor's Rating Service, or Fitch Investors Service.

The Board may reject any form of collateral at any time. The amount of the collateral provided by a financial institution will not be less than 110% of the market value of the net amount of deposits and investments to be secured. The ratio of market value of collateral to the amount of funds to be secured will be reviewed monthly by the chief investment officer. Additional collateral will be requested of a financial institution when the ratio declines below the required level. Collateral will be released if the fair market value exceeds the required level. Collateral may not be released without the signature of the Treasurer. Pledged collateral will be held in safekeeping, by an independent third-party depository, or the Federal Reserve Bank, as designated by the Board, and evidenced by a safekeeping receipt. The market value of collateral will be determined based upon quotations reflected in the edition of *The Wall Street Journal* published on the first business day following the quarter concerned. (This edition will report the market value of securities as of the last day of the quarter concerned.) If a security provided as collateral is not listed in *The Wall Street Journal*, its market value will be determined using a comparable source acceptable to the chief investment officer. Financial institutions pledging collateral will sign a collateral agreement that meets the requirements of the Financial Institution Resource Recovery Enforcement Act (FIRREA) acceptable to Board.

14. The Board is responsible for establishing and maintaining an internal control structure designed to insure that the assets of the Fund are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management.

Accordingly, the Board shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- a) Control of collusion.
- b) Separation of transaction authority from accounting and recordkeeping.
- c) Custodial safekeeping.
- d) Avoidance of physical-delivery securities.
- e) Clear delegation of authority to subordinate staff members.
- f) Written confirmation of telephone transactions for investments and wire transfers.
- g) Dual authorizations of wire transfers.
- h) Development of a procedure for making wire transfers.

B. Prohibited Transactions

1. Prohibited transactions are those transactions specifically prohibited in the Illinois Pension Code, Illinois Compiled Statutes Chapter 40 Act 5 Sections 1-110, 1-111 and 3-135, as well as:
- a) Short selling
 - b) Margin transactions
 - c) Transactions involving futures or options contracts
 - d) Reverse repurchase agreements
 - e) Repurchase agreements
 - f) Borrowing or lending of cash or securities
 - g) Derivatives
 - h) Collateralized Mortgage Obligation

i) American Depository Receipts (ADR's)

Nothing in this section shall prohibit the plan from owning eligible long only diversified open-end mutual funds that may make use of the above strategies.

C. Portfolio Asset Allocation Guidelines

1. The Board of Trustees has adopted the asset allocation policy shown below for Plan assets. Target percentages have been determined for each asset class along with allocations ranges. Equities shall not exceed 65% of the portfolio. Percentage allocations are intended to serve as guidelines; the Board will not be required to remain strictly within the designated ranges. The Fund will review the portfolio quarterly for rebalancing. Market conditions or an investment transition may require an interim investment strategy and, therefore a temporary imbalance in asset mix.

	Min	Target	Max
Cash	1%	2%	5%
Fixed Income	35%	43%	78%
Domestic Equities	21%	45%	60%
International Equities	0.0%	7%	15%
Real Estate	0.0%	3%	10%

2. Cash investments shall be defined as funds, which can be quickly liquidated without loss of principal.
3. Fixed income investments shall be defined as U.S. Government or U.S Government agency bonds, certificates of deposit, investment grade Illinois municipal bonds, dollar denominated non-convertible investment grade corporate bonds, fixed annuities or guaranteed investment contracts of any insurance company and commingled trust accounts, which only invest in the above, described investment vehicles.
4. Equity securities shall be defined as preferred or common stocks created or existing under the laws of the United States and are listed on a national securities exchange, board of trade or are quoted in the National Association of Securities Dealers Automated Quotation System National Market System. Said issuers shall have been in existence for at least 5 years and have not been in arrears of any payment of dividends on its preferred stock during the preceding 5 years. Domestic Equities shall also be defined as mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, have been in operation for at least 5 years, have total assets of \$250 million or more and invest in a diversified portfolio of common or preferred stocks, bonds, or money market instruments, and exchange traded funds which do not employ inverse or leveraged strategies and invest in diversified portfolio of domestic equities.
5. International and real estate securities shall be defined as mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, have been in operation for at least 5 years, have total assets of \$250 million or more, and invest in a diversified portfolio of stocks, bonds, or money market instruments or pooled accounts managed, operated and administered by a bank, subsidiaries of banks or subsidiaries of bank holding companies which invested in a diversified portfolio of stocks, bonds or money market instruments and exchange traded funds which do not employ inverse or leveraged strategies and invest in diversified portfolio of equities.

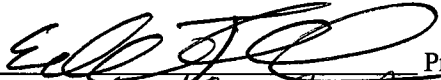
IV. Performance Objectives

1. Over a 5-year investment horizon it is the goal of the aggregate plan to meet or exceed a total rate of return of 7.0%. This investment goal is not meant to be imposed on each investment manager. Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement. Each manager shall receive a written set of manager guidelines outlining his specific goals and constraints as they may differ from those objectives of the entire plan.
2. Meet or exceed the return of the blended market indices of 45% of the Barclays Capital Aggregate Index and 55% of the S&P 500 index.
3. The Fund shall generally display an overall level of risk in the aggregate portfolio which is consistent with the risk associated with the benchmarks specified in paragraph 2 above. Risk will be measured by the annualized standard deviation of monthly returns.
4. The Board of Trustees understands that in order to achieve its objectives for the Plans assets, the Plan will experience volatility of returns and fluctuations of market value as well as periods of losses. Losses will be viewed within the context of appropriate market indices.
5. Performance will be reviewed for the following periods:
 - a) The most current quarter, year-to-date, one, three, and five years, and since inception.


V. Liability

1. The Board of Trustees, members and employees acting in accordance with prescribed procedures and exercising due diligence shall be relieved of personal responsibility for the performance of any security as to price and/or earnings, provided that deviations from expectations are reported promptly, and appropriate action is taken to minimize adverse developments.


This Statement is adopted on APRIL 21ST 2014 by the Board of Trustees of the Fund whose signatures appear below.



President



Secretary



Vice President

LEMONT POLICE PENSION FUND
Fixed Income Guidelines
April 2014

I. Investment Philosophy

1. The manager is expected to manage assets in a style similar to the one utilized over the past three years. Any significant deviation from the managers stated style would require written approval from the Board of Trustees.
2. The manager is expected to earn the highest possible rate of return consistent with the risk tolerance of the Board of Trustees.

II. Fixed Income Guidelines

1. The following instruments are the only investment vehicles in which the manager shall be permitted to invest in.
 - a) In bonds, notes, certificates of indebtedness, Treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest. Bonds, notes, debentures or other similar obligations of the following agencies of the United States of America: The Federal Housing administration; Government National Mortgage Association; Public Housing Boards; Farmers Home Administration; General Services Administration; Maritime Administration; Small Business Administration and Small Business Administration Loan Pools; Tennessee Valley Authority; Washington Metropolitan Area Transit Authority; Federal Land Banks; Federal Intermediate Credit Banks; Banks for Cooperatives; Federal Farm Credit Banks, and Federal Home Loan Banks.
 - b) Up to 10% of the fixed account may be invested in investment grade general obligation bonds issued by the State of Illinois, or any county, township or Municipal Corporation of the State of Illinois. Said securities shall be sold in 90 days if said issuer is downgraded to less than investment grade by any of the rating services.
 - c) Up to 30% of the fixed income portfolio may be invested in U.S. dollar denominated non-convertible corporate bonds subject to the following restrictions. No single position shall be greater than 2% of the fixed income portfolio and no single issuer shall carry a weight greater than 5% (at the time of purchase) of the fixed income portfolio. Further said debt shall be rated investment grade by one of the two largest rating services. Said security shall be sold if said issuer is downgraded to less than investment grade by any of the rating services.
 - d) FDIC insured certificates of deposit of any Federally Chartered Bank. Certificates of deposit in any Illinois Chartered Bank are allowed so long as said bank certifies annually to the Board of Trustees that it does not engage in predatory lending practices.
 - e) The original issue size of securities selected should be such to afford a high degree of marketability.
 - f) In money market mutual funds registered under the investment act of 1940, provided that the portfolio of any such money market fund is limited to obligations described in paragraphs a, b, and c above.

III. Performance

1. Manager performance shall be measured using a three year moving average and shall:
 - a) Meet or exceed net of fees the returns of an unmanaged market index comprised of the Barclays Aggregate Bond index. The return on the fund's investments shall include net income and appreciation.
 - b) Achieve a total rate of return, gross of fees of the top 50% of a peer group of active fixed income managers with like investment constraints.
2. Performance will be reviewed for the following periods, the most recent calendar quarter, calendar year-to-date, trailing one, three and five years, and since inception.

I have received the Policy Statement of the Lemont Police Pension Fund this _____ day of _____ 20____ and agree to comply with the provisions of this statement.

NA
Investment Professional
Signature
NOT YET HIRED
Printed Name and Title

LEMONT POLICE PENSION FUND
Domestic Equity Guidelines
April 2014

I. Investment Philosophy

1. The manager is expected to manage assets in a style similar to the one utilized over the past three years. Any significant deviation from the managers stated style would require written approval from the Board of Trustees.
2. The manager is expected to earn the highest possible rate of return consistent with the risk tolerance of the Board of Trustees.

II. Common Stock Guidelines

1. Cash should not exceed 10% of the equity portfolio.
2. Equity securities shall mean diversified open-end mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, have been in operation for at least 5 years, and have total assets of at least \$250 million. Equity securities shall also mean exchange traded funds which do not employ inverse or leveraged strategies and invest in diversified portfolio of domestic equities.
3. Equity investment in any one company may not exceed 5% of the equity portfolio at time of purchase.
4. If the management firm has investments in equities of any one company that exceeds 5% of the company's equity outstanding, it shall be brought to the immediate attention of Board of Trustees.
5. The manager is expected to prudently diversify the portfolio across industry and economic sectors. It is expected that at least 60% of the major industry sectors in the Russell 3000 index will be represented in the portfolio. Furthermore the manager is to notify the Board of Trustees, with an explanation when any Russell 3000 industry or sector is overweighed by more than 120%.
6. Generally, the equity portfolio shall display an overall level of risk which is consistent with the level of risk associated with the Russell 3000. Risk will be measured by the annualized standard deviation of monthly returns.

III. Performance

1. Manager performance shall be measured using a three-year moving average and shall:
 - a) Meet or exceed net of fees the returns of an unmanaged market index comprised of Russell 3000 equity index.
 - b) Achieve a total rate of return gross of fees of the top 45% of a peer group of active equity core managers. Returns shall be evaluated in conjunction with the risk taken by the investment manager relative to the risk taken by the universe of managers. These criteria shall be evaluated over longer market cycles of 3, 5, 7 and 10 years.
2. Performance will be reviewed for the following periods, the most recent calendar quarter Calendar Year-to-date, trailing one, three and five years and since inception.

I have received the Policy Statement of the Lemont Police Pension Fund this 21ST day of April 2014 and agree to comply with the provisions of this statement.

David J. Wall Investment Professional
Signature
DAVID J. WALL - FINANCIAL
Printed Name and Title

LEMONT POLICE PENSION FUND
International Guidelines
April 2014

I. Investment Philosophy

1. The manager is expected to manage assets in a style similar to the one utilized over the past three years. Any significant deviation from the managers stated style would require written approval from the Board of Trustees.
2. The manager is expected to earn the highest possible rate of return consistent with the risk tolerance of the Board of Trustees.

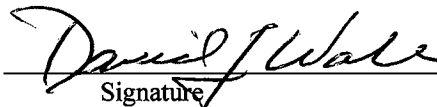
II. Common Stock Guidelines

1. Cash shall not exceed 5% of the equity portfolio.
2. Equity securities shall mean diversified open-end mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953, have been in operation for at least 5 years, and have total assets of at least \$250 million. Equity securities shall also mean exchange traded funds which do not employ inverse or leveraged strategies and invest in diversified portfolio of equities.
3. Invest in a diversified portfolio of common or preferred stocks, which are geographically diversified in a number of regions including the Americas (U.S. and Canada), Greater Europe and Greater Asia. Said fund and shall not have more than a 15% exposure in the United States and Canada.
4. The manager is expected to prudently diversify the portfolio across industry and economic sectors.
5. Generally, the equity portfolio shall display an overall level of risk which is consistent with the level of risk associated with the MSCI EAFE index. Risk will be measured by the annualized standard deviation of monthly returns.

III. Performance

1. Manager performance shall be measured using a three-year moving average and shall:
 - a) Meet or exceed net of fees the returns of an unmanaged market index comprised of the MSCI EAFE (net) total return equity index.
 - b) Achieve a total rate of return net of fees of the top 45% of a peer group of active international fund managers. Returns shall be evaluated in conjunction with the risk taken by the investment manager relative to the risk of the MSCI EAFE index. Risk will be measured by the annualized standard deviation of monthly returns. These criteria shall be evaluated over longer market cycles of 3, 5, 7 and 10 years.
2. Performance will be reviewed for the following periods, the most recent calendar quarter calendar year-to-date trailing one, three and five years, and since inception.

I have received the Policy Statement of the Lemont Police Pension Fund this 21ST day of April 2014 and agree to comply with the provisions of this statement.

 Investment Professional
Signature

DAVID J. WAIT - PRINCIPAL
Printed Name and Title

LEMONT POLICE PENSION FUND
Real Estate Guidelines
April 2014

I. Investment Philosophy

1. The manager is expected to manage assets in a style similar to the one utilized over the past three years. Any significant deviation from the managers stated style would require written approval from the Board of Trustees.
2. The manager is expected to earn the highest possible rate of return consistent with the risk tolerance of the Board of Trustees.

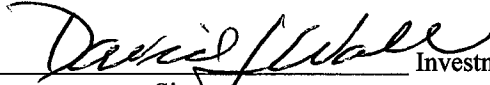
II. Common Stock Guidelines


1. Cash shall not exceed 5% of the equity portfolio.
2. Equity securities shall mean diversified open-end mutual funds managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and Registered under the Illinois Securities Law of 1953, have been in operation for at least 5 years, have total assets of at least \$250 million, or collective trusts (commingled or pooled trusts) administered and operated by a bank, subsidiaries of banks, or subsidiaries of bank holding companies, which invest in a diversified portfolio of International (not to exceed 40% of the real estate portfolio) or U.S. publicly traded Real Estate Investment Trusts. 75% of the company's total revenue must be derived from the ownership and operation of real estate assets to be considered an eligible REIT. Equity securities shall also mean exchange traded funds which do not employ inverse or leveraged strategies and invest in diversified portfolio of domestic equities.
3. The manager is expected to prudently diversify the portfolio across industry and economic sectors. It is expected that at least 75% of the major real estate sectors in the Dow Jones US Real Estate index will be represented in the portfolio.
4. Generally, the equity portfolio shall display an overall level of risk, which is consistent with the level of risk associated with the Dow Jones US Real Estate index. Risk will be measured by the annualized standard deviation of monthly returns.

III. Performance

1. Manager performance shall be measured using a three-year moving average and shall:
 - a) Meet or exceed gross of fees the returns of an unmanaged market index comprised of the Dow Jones US Real Estate index.
 - b) Achieve a total rate of return gross of fees of the top 33% of a peer group of active REIT managers. Returns shall be evaluated in conjunction with the risk taken by the investment manager relative to the risk of the Dow Jones US Real Estate index. Risk will be measured by the annualized standard deviation of monthly returns. These criteria shall be evaluated over longer market cycles of 3, 5, 7 and 10 years.
2. Performance will be reviewed for the following periods: most recent calendar quarter, calendar year-to-date, trailing one, three and five years, and since inception.

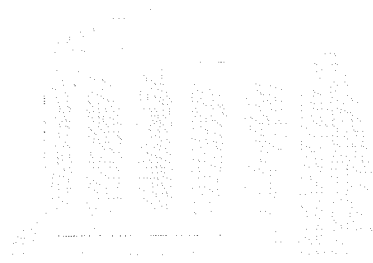
I have received the Policy Statement of the Lemont Police Pension Fund this 21ST day of APRIL 2014 and agree to comply with the provisions of this statement.



Signature Investment Professional


Printed Name and Title

Lemont Police Pension Fund



ACTUARIAL FUNDING POLICY STATEMENT

Originally Adopted April 30, 2014
Effective May 1, 2014
As Amended and Restated through May 1, 2014

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PURPOSE OF THE ACTUARIAL FUNDING POLICY STATEMENT

General Purpose

This Actuarial Funding Policy Statement sets forth the procedures that the Pension Board of Trustees for the Lemont Police Pension Fund has adopted to make funding recommendations to the Village of Lemont in compliance with the Illinois Pension Code. The policy identifies goals and objectives of the Pension Board of Trustees and the Village of Lemont. The policy sets out the decision-making process for handling various aspects of pension funding, and defines the ongoing items to be reviewed in assessing the ongoing effectiveness of this policy.

Goals and Objectives

The key goals and objectives considered in the preparation of the investment policy are noted below:

- Make sure that benefits are secure for fund participants now and in the long-term.
- Keep the recommended costs of the plan stable across generations of taxpayers.
- Develop recommendations that are more cost-effective in the long-term.
- Provide year-to-year contribution stability/budgeting for the Village.
- Address any transition items needed at the policy implementation.

Operation of the Policy

It is the intention of the Village and the Pension Board of Trustees to review the policy on an annual basis. The intention is to review the effectiveness of the policy and determine if it continues to meet the goals and objectives as set forth.

The Pension Board of Trustees retains the right to amend the policy as necessary to keep the policy in line with the goals and objectives.



THE ACTUARIAL COST METHOD

General Purpose

The intent of any Actuarial Cost Method is to set aside the appropriate amount of dollars during an employee's working career so that the Pension Fund has the dollars necessary to make payments at retirement. The Actuarial Cost Method will set the pattern by which contributions are made to the Fund during the working career of the employee and provide two key measures for reporting:

- Normal Cost – The amount of money to contribute for each active employee for the upcoming year of service.
- Accrued Liability – The amount of money that is expected to be in the Pension Fund already, based on all past service already worked by members of the Fund.

Selection

The Entry Age Normal (EAN) Cost Method (Level Percent of Pay) has been chosen to measure the Normal Cost and Accrued Liability for the Fund.

The EAN Method is a cost based actuarial method which focuses on budgeting annual costs during the working career of an employee. The Normal Cost level is set with the expectation that it will increase annually at the same rate as expected payroll increases during an employee's working career.

EAN Method (Level Percent of Pay) is used across the country to determine the amount of dollars that should be in a pension fund and is widely accepted as the most equitable way to pass costs to taxpayers who are receiving the services.

UNFUNDED ACCRUED LIABILITY

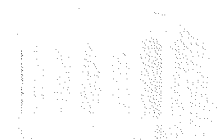
General Purpose

The Actuarial Cost Method will provide a method for setting the annual contribution pattern for current year services, as well as setting the expected level of assets needed to be on budget for past services rendered by employees. When the Pension Fund actuarial assets do not match the expected assets under the budget, an unfunded/overfunded liability exists.

Unfunded Liability

The Unfunded Actuarial Accrued Liability may be amortized over a period either in level dollar amounts or as a level percentage of projected payroll.

In accordance with the Pension Fund's Funding Policy for the recommended contribution the unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions to 100% funding target over 30 years beginning in 2011, ending with the municipality's fiscal year 2040.



ACTUARIAL VALUE OF ASSETS

General Purpose

The Actuarial Value of Assets is the figure used annually to determine the level of underfunding in a Pension Fund. The Actuarial Value of Assets does not necessarily equal the fair Market Value of Assets. While the Actuarial Value of Assets does not represent dollars that are available on that day to make benefit payments, use of an Actuarial Value of Assets recognizes that assets will not all be distributed at a single point in time.

The objective of using an Actuarial Value of Assets that differs from the Market Value of Assets is to redistribute contributions over the life of a Pension Fund in a manner that is less volatile. The overall level of contributions over the life of the Fund is not expected to change. To achieve this, gains and losses on the Market Value of Assets are recognized in the Actuarial Value of Assets over a period of time. In order to be successful as part of long-term funding, the Actuarial Value of Assets should be equally likely to fall above or below the market value of assets.

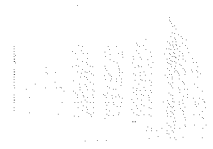
Key parameters:

- Years – the number of years to smooth market value gains and losses.
- Corridor – A limitation placed on the Actuarial Value of Assets. This parameter will limit the Actuarial Value of Assets in relation to Market Value of Assets.

Selection

The Actuarial Value of Assets will be equal to the Market Value of Assets, with unexpected gains and losses on the Market Value of Assets smoothed over a 5 year period.

It is anticipated that the Actuarial Value of Assets will not stray too far from the Market Value of Assets with the 5 year smoothing parameter. Therefore no corridor has been set at this time.



OPERATIONAL PROCEDURES

Funding Recommendations

The Pension Board of Trustees will use the policies and procedures set forth in this document to recommend a contribution amount to be made by the Village to the Fund each year.

State of Illinois Minimum Funding Requirement

The State of Illinois provides funding policy parameters that must be used in determining the minimum amount of money that should be contributed to the Fund on an annual basis. The Pension Board of Trustees will review this amount each year. Notwithstanding anything else in this policy, in no event will the Pension Board of Trustees recommend a contribution that is less than the minimum contribution required under State law.

Actuarial Assumptions

The Pension Board of Trustees will review the actuarial assumptions used for determining Fund costs at least every 3-5 years. The Pension Board of Trustees will use assumptions that are the best estimate of the future anticipated experience under the plan. By getting the best estimate on actuarial assumptions, short-term changes in unfunded liability are expected to offset over a long-term period of time. Review of the assumptions every 3-5 years will help to minimize the impact of assumption changes that have deviated from actual assumptions over a long period of time.

If any events occur that could impact assumptions immediately (for example, a change in the Investment Policy or strategy) the Pension Board of Trustees will assess the associated assumption on a more immediate basis and will not be limited by the 3-5 year cycle.

See Addendum 1 for current selections.

Monitoring the Funding Policy

The Pension Board of Trustees will review on an annual basis a report that is intended to monitor the progress of the Funding Policy. This review will include but not be limited to:

- A review of the progress being made on the unfunded liability that exists at implementation.
- A review of the anticipated gains and losses that will be recognized in the upcoming actuarial value of assets under the funding policy.
- An analysis of cash flow to monitor the continuous ability of the fund to pay benefits.
- An analysis of the causes of any changes in unfunded liability over the preceding year.
- An analysis of the actuarial expectations versus actual experience over the preceding year.

ADDENDUM 1 – CURRENT ACTUARIAL ASSUMPTIONS

Economic Assumptions

<u>Assumption</u>	<u>Selection</u>	<u>Reason</u>
Expected Rate of Return on Assets	7.00%	Based on the current target allocation in the Pension Fund and discussion with the Investment Consultant.
Pay Increase	4.50% + Adjustments	% represents the long-term expectation for cost-of-living. Adjustments are used to represent higher pay increase rates early in employees' working careers.
Total Payroll Increases	4.00%	Based on the current employee population.

Demographic Assumptions

<u>Assumption</u>	<u>Selection</u>	<u>Reason</u>
Mortality	L&A 2012	Based on the study of the actual experience for active and retired police officers in the state of Illinois.
Termination Rates	100% L&A 2012	Long-term anticipated experience for the Pension Fund.
Disability Rates	100% L&A 2012	Long-term anticipated experience for the Pension Fund.
Retirement Rates	100% L&A 2012 Cap Age 65	Long-term anticipated experience for the Pension Fund.
Percent Married	80%	Represents the anticipated percentage of time death benefits will be paid by the Pension Fund.

Full detail for the assumptions can be found in the Actuarial Assumption selection document. This is intended to show a snapshot summary.



Village Board

Agenda Memorandum

To: Mayor & Village Board

From: George Schafer, Village Administrator
Ralph Pukula, Public Works Director
Charity Jones, Planning & Economic Development Director

Subject: Water Systems Needs Analysis PSA

Date: February 16, 2015

BACKGROUND/HISTORY

Consistent with strategic initiatives in the Village's comprehensive and strategic plans, the Village Board budgeted funds in the FY 15 budget to conduct a water supply and demand analysis for the Village's water and sewer utility, specifically the projected growth areas near the eastern boundary of the Village.

While the main concern for the Village at this time is to ensure the Village has adequate pumping and storage facilities to meet the demands of the projected growth in this region, it is also advantageous to examine the system as a whole in conjunction with this specific analysis. As such, the proposal presents a two phase approach to the analysis (Water Model and Water Needs Analysis), the phases are further described below. Through preliminary budget discussions, the Village has also budgeted water and sewer funds for FY 16 to complete a water study. With the two phase approach and timing of the potential work, expenses can be applied relatively evenly to FY 15 and 16 respectively. The entire project is expected to span approximately 15 weeks.

Phase I (Water Model): Modeling of the entire system includes examining current pumping levels and testing areas for bottlenecks, inadequate water mains and other system deficiencies to help build the model. This phase will also examine the forecasted conditions of the Village's aquifers that the system utilizes. The model, when developed, can be utilized for future analysis beyond the scope of this proposal. Phase I has a not to exceed estimate of \$21,000, based on the amount of testing expected to create the model. During the analysis, the consultants will review existing reports to see if they can be utilized in lieu of this estimated sampling.

Phase II (Water Needs Analysis): The water needs analysis will include projected water demand for a 20 year period utilizing the model in conjunction with Village projections, via the Village's recently adopted comprehensive plan. While it will also build on the model for the entire system created in Phase I, the analysis will primarily focus on the eastern portion of Lemont and give recommendation for specific storage and potential wells in this area. Phase II has a not to exceed estimate of \$18,900.

RECOMMENDATION

Staff recommends the approval of the Professional Services Agreement for Water System Analysis with HR Green.

ATTACHMENTS (IF APPLICABLE)

Service Agreement for Water System Needs Analysis

SPECIFIC VILLAGE BOARD ACTION REQUIRED

This item is for discussion purposes only. If recommended by the Committee of the Whole, the item will be presented in front of the Village Board for approval at a future Board Meeting.



PROFESSIONAL SERVICES AGREEMENT

For

WATER SYSTEM NEEDS ANALYSIS

Mr. George Schafer, Village Administrator
Village of Lemont
418 Main Street
Lemont, IL 60439
Phone: (630) 257-1550

Prepared by:
Mark Hardie, P.E. – Project Director

HR Green Job No.: 86150006

January 16, 2015
Revised: February 12, 2015

HRGreen.com

Phone 815.385.1778 Fax 815.385.1781 Toll Free 800.728.7805
420 North Front Street, Suite 100, McHenry, Illinois 60050

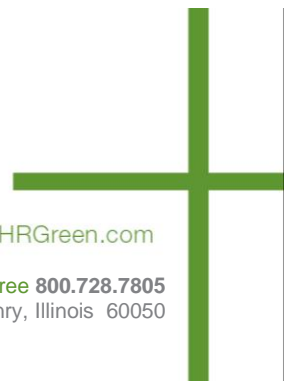


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- 3.0 DELIVERABLES AND SCHEDULES INCLUDED IN THIS AGREEMENT
- 4.0 ITEMS NOT INCLUDED IN AGREEMENT/SUPPLEMENTAL SERVICES
- 5.0 SERVICES BY OTHERS
- 6.0 CLIENT RESPONSIBILITIES
- 7.0 PROFESSIONAL SERVICES FEE
- 8.0 TERMS AND CONDITIONS

THIS **AGREEMENT** is between Village of Lemont, Illinois (hereafter "CLIENT") and HR Green, Inc. (hereafter "COMPANY").

1.0 Project Understanding

1.1 General Understanding

The CLIENT desires to hire COMPANY to perform an analysis of their water distribution system to meet current system needs and system needs through a 20 year planning period to year 2035. The analysis is to be performed by collecting data pertaining to the Villages water supply and distribution system and performing analysis of the data using a WaterGEMS hydraulic model. The analysis will review and provide recommendations for potential water system expansion with special emphasis on the east portion of the Village's boundaries. At a minimum, these recommendations will include the following:

- Proposed water main to serve future expansion areas along the east edge of the Village. Emphasis will be to provide water main looping where feasible.
- Perform a literature review of existing hydrogeologic reports and provide viable locations for a new well. This work includes aquifer sustainability review and forecast.
- Review existing water supply capacity, compare to current and future demands, and provide recommendations for new well(s).
- Review existing system storage, compare to current and future demands, and provide recommendations and viable locations for new elevated storage facilities.

1.2 Design Criteria/Assumptions

Project involves an analysis of CLIENT's water supply and distribution system using CLIENT provided information and CLIENT obtained field information.

2.0 Scope of Services

The CLIENT agrees to employ COMPANY to perform the following services:

Phase 1 – Data Collection and Hydraulic Model Development

2.1 Kickoff Meeting/Review Meeting No. 1 – Conduct a review meeting to present the preliminary model setup including the distribution system attributes. Discuss the need for a new well and new elevated water storage tank and potential sites. Discuss results of aquifer sustainability review and long term forecast. Discuss future system expansion/growth objectives. Collect information needed, including pumpage data, and customer billing records to develop the hydraulic model including water demands and hydrant flow test results.

2.1.1 Develop a calibrated water distribution system model using WaterGEMS from the AutoCAD water distribution system map previously provided by the Village.

- 2.1.1.1 The COMPANY will develop a WaterGEMS model using elevation data from existing GIS maps from Cook, Will, and DuPage Counties.
- 2.1.1.2 The CLIENT will provide the total system average and peak day demands and also a record of the top 10 highest demands, with respective flows during the peak day, as available. Using this information, COMPANY will input the highest users in the model at the point of use. The COMPANY will distribute the remaining system demands for residential and commercial customers evenly throughout the Village.
- 2.1.1.3 The COMPANY and the CLIENT will work together to identify locations for additional fire hydrant flow and pressure testing if needed. The CLIENT will gather additional hydrant flow and pressure test data at the sites identified. COMPANY will provide two field personnel (approximately 25 hours each) to assist in the hydrant flow tests.
- 2.1.1.4 Using the existing and any additional hydrant flow test data, the COMPANY will calibrate the water distribution system model. The COMPANY will input the hydrant flows and pressures and pumping flows and pressures into the computer model and adjust the model parameters so that the model is calibrated to match the measured conditions as closely as feasible.
- 2.1.1.5 Using the Village's available population projections and land use information, develop a population and corresponding water demand projection for the next 5 and 20 year planning periods (2016 and 2031). Include projected average day, peak day and peak hour demands.
- 2.1.1.6 Using the calibrated water distribution system model, land use, and projected water demands accounting for future projected expansion/growth objectives, develop a water distribution system model for 5 and 20 years in the future.
- 2.1.1.7 Analyze hydraulic requirements of the required main sizes feeding the proposed tower.
- 2.1.1.8 Identify the shortcomings in the existing water distribution system from the calibrated water distribution system model for each planning period and provide recommendations for improvements. Use the fire flow guidelines from the Insurance Services Office to determine system fire flow needs. Provide a database listing of the pipe segments with the following information during peak hour demands:
 - Pressure
 - Flow velocities
 - Headloss per 100 feet of pipe
 - Pressure drop relative to static system pressure
 - Fire flow

- 2.1.1.9 Identify the trigger points for new water distribution system improvements including piping, storage, and pumping.
- 2.1.1.10 Provide the locations, limits, sizes, and planning-level opinion of costs for recommended improvements.
- 2.1.2 Draft Report - Develop a brief summary report of the hydraulic model analysis. Also include pressure contour maps of the calibrated model, including the recommended improvements, during average day and peak hour conditions for the 5 and 20 year planning periods (total of 4 pressure contour maps). Submit up to 3 copies of the draft report to the CLIENT for review.

Phase 2 – Water System Needs Analysis

- 2.2 Review Meeting No. 2 – Conduct a review meeting to discuss the preliminary results of the hydraulic model analysis including recommended improvements.
 - 2.2.1 Incorporate CLIENT provided data regarding water main break history and valve replacement history. Show water main breaks by location and year on a map for each pipe segment.
 - 2.2.2 Fire hydrant coverage – Show hydrant radius spacing on a map to identify locations within the system that may not have local hydrant coverage.
 - 2.2.3 Line valve coverage – Show line valve radius spacing on a map to identify locations within the system that may need additional line valves to minimize areas/customers affected by water main shutdowns.
 - 2.2.4 Develop population and water demand projections for 20 year design period.
 - 2.2.5 Review existing Comprehensive Land Use Plan to identify areas of future growth.
 - 2.2.5.1 Review proposed improvements necessary to serve future expansion areas along the east edge of the Village.
 - 2.2.5.2 Review proposed improvements necessary to serve future expansion areas along the west edge of the Village.
 - 2.2.6 Perform a literature review of existing hydrogeologic studies to identify viable areas for current and future wells.
 - 2.2.7 Review the CLIENT's previous report regarding future recommended additional elevated water storage tank(s). Provide updated recommendations for size and location of proposed elevated storage tanks. Identify and provide a listing of the pros and cons of different sites for the new elevated water storage tank and make a recommendation for its future siting.

- 2.2.8 Review the CLIENT's previous report regarding future recommended additional water supply well(s). Review existing water supply capacity, compare to current and future demands, and provide recommendations for new well(s).
- 2.2.9 Draft Report – Develop a draft report of the Water System Needs Analysis and provide to CLIENT for review.
- 2.3 Report Workshop – Conduct a workshop to present, discuss, and obtain comments from the Village staff and council on the draft report. Comments will then be incorporated into the final report for submittal to the CLIENT.
- 2.4 Final Report – Incorporate CLIENT comments into a final brief summary report and submit up to 3 copies of the final report to the CLIENT.

3.0 Deliverables and Schedules Included in this Contract

Notice to Proceed (NTP).....	TBD by CLIENT
Kick-off/Review Meeting No. 1	1 weeks after Verbal approval
Field Hydrant Testing (weather dependent) ...	5 weeks after NTP (April earliest start)
Submit Draft Hydraulic Model Report.....	10 weeks after NTP
Review Meeting No. 2.....	11 weeks after NTP
Submit Draft Water Needs Analysis Report ...	12 weeks after NTP
Report Workshop.....	15 weeks after NTP
Submit Final Report	17 weeks after NTP

This schedule was prepared to include reasonable allowances for review and approval times required by the CLIENT and public authorities having jurisdiction over the project. This schedule shall be equitably adjusted as the project progresses, allowing for changes in the scope of the project requested by the CLIENT or for delays or other causes beyond the control of COMPANY.

4.0 Items not included in Agreement/Supplemental Services

The following items are not included as part of this agreement:

- 1. Preliminary design, final design, bidding, and construction phase engineering services.
- 2. Permit applications to federal, state, and local agencies.
- 3. Funding applications to federal, state, and local agencies.
- 4. Geotechnical borings, tests, studies, and reports.
- 5. Historical, archeological, cultural resources, wetlands, floodplains, or environmental investigations, assessments, tests, studies, and reports.
- 6. Surveying or construction staking services.
- 7. Maps, plats, deeds, and easement documents.
- 8. Legal services of any kind.
- 9. Meetings with federal, state, and local agencies.
- 10. Appearances at public meetings and public hearings beyond those delineated in scope of services.
- 11. Additional meetings with CLIENT beyond those delineated in scope of services.
- 12. Any other additional engineering services in connection with the project.

Supplemental services not included in the agreement can be provided by COMPANY under separate agreement, if desired.

5.0 Services by Others

No services are anticipated by Others.

6.0 Client Responsibilities

1. Provide access to work sites for COMPANY to perform or furnish services.
2. Provide relevant materials such as maps, drawings, specifications, shop drawings, O&M manuals, financial data and reports, operating data and reports, maintenance data and reports, water quality data, and reports.
3. Provide personnel knowledgeable about operations and maintenance of facilities to be available for discussions and to answer questions.
4. Provide assistance in determining the locations of existing facilities and utilities.
5. Provide assistance with field hydrant flow testing as required.
6. Pay all permit fees and other required fees associated with the project.
7. Review all project deliverable documents submitted by COMPANY, and provide all comments back to COMPANY within one week or otherwise as required by the project scope of services and schedule.
8. Attend all meetings and hearings as required for the project.
9. Provide all legal services as required for the project.
10. Appoint a CLIENT'S REPRESENTATIVE with respect to the services to be performed under this agreement. CLIENT'S REPRESENTATIVE shall have complete authority to transmit instructions, receive information, and interpret and define CLIENT'S policies. COMPANY shall be entitled to rely on representations made by CLIENT'S REPRESENTATIVE unless otherwise specified in writing by CLIENT.
11. Collect field data as indicated in the scope of services.

7.0 Professional Services Fee

7.1 Fees

The fee for services will be based on COMPANY standard hourly rates current at the time the agreement is signed. These standard hourly rates are subject to change upon 30 days' written notice. Non salary expenses directly attributable to the project such as: (1) living and traveling expenses of employees when away from the home office on business connected with the project; (2) identifiable communication expenses; (3) identifiable reproduction costs applicable to the work; and (4) outside services will be charged in accordance with the rates current at the time the work is done.

7.2 Invoices

Invoices for COMPANY's services shall be submitted, on a monthly basis. Invoices shall be due and payable upon receipt. If any invoice is not paid within 30 days, COMPANY may, without waiving any claim or right against the CLIENT, and without liability whatsoever to the CLIENT, suspend or terminate the performance of services. The retainer shall be credited on the final invoice. Accounts unpaid 30 days after the invoice date may be subject to a monthly service charge of 1.5% (or the maximum legal rate) on

the unpaid balance. In the event any portion of an account remains unpaid 60 days after the billing, COMPANY may institute collection action and the CLIENT shall pay all costs of collection, including reasonable attorney's fees.

7.3 Extra Work

Any work required but not included as part of this contract shall be considered extra work. Extra work will be billed on a Time and Material basis with prior approval of the CLIENT.

7.4 Exclusion

This fee does not include attendance at any meetings or public hearings other than those specifically listed in the Scope of Services. These work items are considered extra and are billed separately on an hourly basis. The hourly rate for a Client Services Manager is \$191/hour, Project Manager is \$165/hour, and GIS Specialist is \$82/hour plus any direct expenses (i.e. mileage, meals, etc.).

7.5 Payment

The CLIENT AGREES to pay COMPANY on the following basis:

Lump sum in the amount of \$39,900.00. Lump sum is separated as follows:

Phase 1 = \$21,000

Phase 2 = \$18,900

8.0 Terms and Conditions

The following Terms and Conditions are incorporated into this AGREEMENT and made a part of it.

8.1 Standard of Care

Services provided by COMPANY under this AGREEMENT will be performed in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing at the same time and in the same or similar locality.

8.2 Entire Agreement

This Agreement, and its attachments, constitutes the entire understanding between CLIENT and COMPANY relating to professional engineering services. Any prior or contemporaneous agreements, promises, negotiations, or representations not expressly set forth herein are of no effect. Subsequent modifications or amendments to this Agreement shall be in writing and signed by the parties to this Agreement. If the CLIENT, its officers, agents, or employees request COMPANY to perform extra work or services pursuant to this Agreement, CLIENT will pay for the additional services even though an additional written Agreement is not issued or signed.

8.3 Time Limit and Commencement of Work

This AGREEMENT must be executed within ninety (90) days to be accepted under the terms set forth herein. The work will be commenced immediately upon receipt of this signed Agreement.

8.4 Suspension of Services

If the Project or the COMPANY'S services are suspended by the CLIENT for more than thirty (30) calendar days, consecutive or in the aggregate, over the term of this Agreement, the COMPANY shall be compensated for all services performed and reimbursable expenses incurred prior to the receipt of notice of suspension. In addition, upon resumption of services, the CLIENT shall compensate the COMPANY for expenses incurred as a result of the suspension and resumption of its services, and the COMPANY'S schedule and fees for the remainder of the Project shall be equitably adjusted.

If the COMPANY'S services are suspended for more than ninety (90) days, consecutive or in the aggregate, the COMPANY may terminate this Agreement upon giving not less than five (5) calendar days' written notice to the CLIENT.

If the CLIENT is in breach of this Agreement, the COMPANY may suspend performance of services upon five (5) calendar days' notice to the CLIENT. The COMPANY shall have no liability to the CLIENT, and the CLIENT agrees to make no claim for any delay or damage as a result of such suspension caused by any

breach of this Agreement by the CLIENT. Upon receipt of payment in full of all outstanding sums due from the CLIENT, or curing of such other breach which caused the COMPANY to suspend services, the COMPANY shall resume services and there shall be an equitable adjustment to the remaining project schedule and fees as a result of the suspension.

8.5 Book of Account

COMPANY will maintain books and accounts of payroll costs, travel, subsistence, field, and incidental expenses for a period of five (5) years. Said books and accounts will be available at all reasonable times for examination by CLIENT at the corporate office of COMPANY during that time.

8.6 Insurance

COMPANY will maintain insurance for claims under the Worker's Compensation Laws, and from General Liability and Automobile claims for bodily injury, death, or property damage arising from the negligent performance by COMPANY's employees of the functions and services required under this Agreement.

8.7 Termination or Abandonment

Either party has the option to terminate this Agreement. In the event of failure by the other party to perform in accordance with the terms hereof through no fault of the terminating party, then the obligation to provide further services under this Agreement may be terminated upon seven days written notice. If any portion of the work is terminated or abandoned by CLIENT, the provisions of this Schedule of Fees and Conditions in regard to compensation and payment shall apply insofar as possible to that portion of the work not terminated or abandoned. If said termination occurs prior to completion of any phase of the project, the fee for services performed during such phase shall be based on COMPANY's reasonable estimate of the portion of such phase completed prior to said termination, plus a reasonable amount to reimburse COMPANY for termination costs.

8.8 Waiver

COMPANY's waiver of any term, condition, or covenant or breach of any term, condition, or covenant, shall not constitute a waiver of any other term, condition, or covenant, or the breach thereof.

8.9 Severability

If any provision of this Agreement is declared invalid, illegal, or incapable of being enforced by any Court of competent jurisdiction, all of the remaining provisions of this Agreement shall nevertheless continue in full force and effect, and no provision shall be deemed dependent upon any other provision unless so expressed herein.

8.10 Successors and Assigns

All of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns, provided, however, that no assignment of this Agreement shall be made without written consent of the parties to this Agreement.

8.11 Third-Party Beneficiaries

Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the CLIENT or the COMPANY. The COMPANY's services under this Agreement are being performed solely for the CLIENT's benefit, and no other party or entity shall have any claim against the COMPANY because of this Agreement or the performance or nonperformance of services hereunder. The CLIENT and COMPANY agree to require a similar provision in all contracts with contractors, subcontractors, subconsultants, vendors and other entities involved in this project to carry out the intent of this provision.

8.12 Governing Law and Jurisdiction

The CLIENT and the COMPANY agree that this Agreement and any legal actions concerning its validity, interpretation and performance shall be governed by the laws of the State of Iowa without regard to any conflict of laws provisions, which may apply the laws of other jurisdictions.

It is further agreed that any legal action between the CLIENT and the COMPANY arising out of this Agreement or the performance of the services shall be brought in a court of competent jurisdiction in the State of Iowa.

8.13 Dispute Resolution

Mediation. In an effort to resolve any conflicts that arise during the design or construction of the project or following the completion of the project, the CLIENT and COMPANY agree that all disputes between them arising out of or relating to this Agreement shall be submitted to non-binding mediation unless the parties mutually agree otherwise. The CLIENT and COMPANY further agree to include a similar mediation provision

in all agreements with independent contractors and consultants retained for the project and to require all independent contractors and consultants also to include a similar mediation provision in all agreements with subcontractors, sub-consultants, suppliers or fabricators so retained, thereby providing for mediation as the primary method for dispute resolution between the parties to those agreements.

Arbitration. In the event the parties to this Agreement are unable to reach a settlement of any dispute arising out of the services under this Agreement, involving an amount of less than \$50,000, in Mediation, then such disputes shall be settled by binding arbitration by an arbitrator to be mutually agreed upon by the parties, and shall proceed in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association currently in effect. If the parties cannot agree on a single arbitrator, then the arbitrator(s) shall be selected in accordance with the above-referenced rules.

8.14 Attorney's Fees

If litigation arises for purposes of collecting fees or expenses due under this Agreement, the Court in such litigation shall award reasonable costs and expenses, including attorney fees, to the party justly entitled thereto. In awarding attorney fees, the Court shall not be bound by any Court fee schedule, but shall, in the interest of justice, award the full amount of costs, expenses, and attorney fees paid or incurred in good faith.

8.15 Ownership of Instruments of Service

All reports, plans, specifications, field data, field notes, laboratory test data, calculations, estimates and other documents including all documents on electronic media prepared by COMPANY as instruments of service shall remain the property of COMPANY. COMPANY shall retain these records for a period of five (5) years following completion/submission of the records, during which period they will be made available to the CLIENT at all reasonable times.

8.16 Reuse of Documents

All project documents including, but not limited to, plans and specifications furnished by COMPANY under this project are intended for use on this project only. Any reuse, without specific written verification or adoption by COMPANY, shall be at the CLIENT's sole risk, and CLIENT shall defend, indemnify and hold harmless COMPANY from all claims, damages and expenses including attorney's fees arising out of or resulting therefrom.

Under no circumstances shall delivery of electronic files for use by the CLIENT be deemed a sale by the COMPANY, and the COMPANY makes no warranties, either express or implied, of merchantability and fitness for any particular purpose. In no event shall the COMPANY be liable for indirect or consequential damages as a result of the CLIENT's use or reuse of the electronic files.

8.17 Failure to Abide by Design Documents or To Obtain Guidance

The CLIENT agrees that it would be unfair to hold COMPANY liable for problems that might occur should COMPANY'S plans, specifications or design intents not be followed, or for problems resulting from others' failure to obtain and/or follow COMPANY'S guidance with respect to any errors, omissions, inconsistencies, ambiguities or conflicts which are detected or alleged to exist in or as a consequence of implementing COMPANY'S plans, specifications or other instruments of service. Accordingly, the CLIENT waives any claim against COMPANY, and agrees to defend, indemnify and hold COMPANY harmless from any claim for injury or losses that results from failure to follow COMPANY'S plans, specifications or design intent, or for failure to obtain and/or follow COMPANY'S guidance with respect to any alleged errors, omissions, inconsistencies, ambiguities or conflicts contained within or arising as a result of implementing COMPANY'S plans, specifications or other instruments of services. The CLIENT also agrees to compensate COMPANY for any time spent and expenses incurred remedying CLIENT's failures according to COMPANY'S prevailing fee schedule and expense reimbursement policy.

8.18 Opinion of Probable Construction Cost

COMPANY shall submit to the CLIENT an opinion of probable cost required to construct work recommended, designed, or specified by COMPANY, if required by CLIENT. COMPANY is not a construction cost estimator or construction contractor, nor should COMPANY'S rendering an opinion of probable construction costs be considered equivalent to the nature and extent of service a construction cost estimator or construction contractor would provide. This requires COMPANY to make a number of assumptions as to actual conditions that will be encountered on site; the specific decisions of other design professionals engaged; the means and methods of construction the contractor will employ; the cost and extent of labor, equipment and materials the contractor will employ; contractor's techniques in determining prices and market conditions at the time, and other factors over which COMPANY has no control. Given the assumptions which must be made, COMPANY cannot guarantee the accuracy of his or her opinions of cost, and in recognition of that fact, the CLIENT

waives any claim against COMPANY relative to the accuracy of COMPANY'S opinion of probable construction cost.

8.19 Design Information in Electronic Form

Because electronic file information can be easily altered, corrupted, or modified by other parties, either intentionally or inadvertently, without notice or indication, COMPANY reserves the right to remove itself from of its ownership and/or involvement in the material from each electronic medium not held in its possession. CLIENT shall retain copies of the work performed by COMPANY in electronic form only for information and use by CLIENT for the specific purpose for which COMPANY was engaged. Said material shall not be used by CLIENT or transferred to any other party, for use in other projects, additions to this project, or any other purpose for which the material was not strictly intended by COMPANY without COMPANY'S expressed written permission. Any unauthorized use or reuse or modifications of this material shall be at CLIENT'S sole risk. Furthermore, the CLIENT agrees to defend, indemnify, and hold COMPANY harmless from all claims, injuries, damages, losses, expenses, and attorney's fees arising out of the modification or reuse of these materials.

The CLIENT recognizes that designs, plans, and data stored on electronic media including, but not limited to computer disk, magnetic tape, or files transferred via email, may be subject to undetectable alteration and/or uncontrollable deterioration. The CLIENT, therefore, agrees that COMPANY shall not be liable for the completeness or accuracy of any materials provided on electronic media after a 30 day inspection period, during which time COMPANY shall correct any errors detected by the CLIENT to complete the design in accordance with the intent of the contract and specifications. After 40 days, at the request of the CLIENT, COMPANY shall submit a final set of sealed drawings, and any additional services to be performed by COMPANY relative to the submitted electronic materials shall be subject to separate AGREEMENT. The CLIENT is aware that differences may exist between the electronic files delivered and the printed hard-copy construction documents. In the event of a conflict between the signed construction documents prepared by the COMPANY and electronic files, the signed or sealed hard-copy construction documents shall govern.

8.20 Information Provided by Others

The CLIENT shall furnish, at the CLIENT'S expense, all information, requirements, reports, data, surveys and instructions required by this AGREEMENT. The COMPANY may use such information, requirements, reports, data, surveys and instructions in performing its services and is entitled to rely upon the accuracy and completeness thereof. The COMPANY shall not be held responsible for any errors or omissions that may arise as a result of erroneous or incomplete information provided by the CLIENT and/or the CLIENT'S consultants and contractors.

COMPANY is not responsible for accuracy of any plans, surveys or information of any type including electronic media prepared by any other consultants, etc. provided to COMPANY for use in preparation of plans. The CLIENT agrees, to the fullest extent permitted by law, to indemnify and hold harmless the COMPANY from any damages, liabilities, or costs, including reasonable attorneys' fees and defense costs, arising out of or connected in any way with the services performed by other consultants engaged by the CLIENT.

COMPANY is not responsible for accuracy of topographic surveys provided by others. A field check of a topographic survey provided by others will not be done under this contract unless indicated in the Scope of Work.

8.21 Force Majeure

The CLIENT agrees that the COMPANY is not responsible for damages arising directly or indirectly from any delays for causes beyond the COMPANY'S control. CLIENT agrees to defend, indemnify, and hold COMPANY, its consultants, agents, and employees harmless from any and all liability, other than that caused by the negligent acts, errors, or omissions of COMPANY, arising out of or resulting from the same. For purposes of this Agreement, such causes include, but are not limited to, strikes or other labor disputes; severe weather disruptions or other natural disasters or acts of God; fires, riots, war or other emergencies; failure of any government agency to act in timely manner; failure of performance by the CLIENT or the CLIENT'S contractors or consultants; or discovery of any hazardous substances or differing site conditions. Severe weather disruptions include but are not limited to extensive rain, high winds, snow greater than two (2) inches and ice. In addition, if the delays resulting from any such causes increase the cost or time required by the COMPANY to perform its services in an orderly and efficient manner, the COMPANY shall be entitled to a reasonable adjustment in schedule and compensation.

8.22 Job Site Visits and Safety

Neither the professional activities of COMPANY, nor the presence of COMPANY'S employees and subconsultants at a construction site, shall relieve the General Contractor and any other entity of their

obligations, duties and responsibilities including, but not limited to, construction means, methods, sequence, techniques or procedures necessary for performing, superintending or coordinating all portions of the work of construction in accordance with the contract documents and any health or safety precautions required by any regulatory agencies. COMPANY and its personnel have no authority to exercise any control over any construction contractor or other entity or their employees in connection with their work or any health or safety precautions. The CLIENT agrees that the General Contractor is solely responsible for job site safety, and warrants that this intent shall be made evident in the CLIENT's AGREEMENT with the General Contractor. The CLIENT also agrees that the CLIENT, COMPANY and COMPANY'S consultants shall be indemnified and shall be made additional insureds on the General Contractor's and all subcontractor's general liability policies on a primary and non-contributory basis.

8.23 Hazardous Materials

CLIENT hereby understands and agrees that COMPANY has not created nor contributed to the creation or existence of any or all types of hazardous or toxic wastes, materials, chemical compounds, or substances, or any other type of environmental hazard or pollution, whether latent or patent, at CLIENT's premises, or in connection with or related to this project with respect to which COMPANY has been retained to provide professional engineering services. The compensation to be paid COMPANY for said professional engineering services is in no way commensurate with, and has not been calculated with reference to, the potential risk of injury or loss which may be caused by the exposure of persons or property to such substances or conditions. Therefore, to the fullest extent permitted by law, CLIENT agrees to defend, indemnify, and hold COMPANY, its officers, directors, employees, and consultants, harmless from and against any and all claims, damages, and expenses, whether direct, indirect, or consequential, including, but not limited to, attorney fees and Court costs, arising out of, or resulting from the discharge, escape, release, or saturation of smoke, vapors, soot, fumes, acid, alkalis, toxic chemicals, liquids gases, or any other materials, irritants, contaminants, or pollutants in or into the atmosphere, or on, onto, upon, in, or into the surface or subsurface of soil, water, or watercourses, objects, or any tangible or intangible matter, whether sudden or not.

It is acknowledged by both parties that COMPANY'S scope of services does not include any services related to asbestos or hazardous or toxic materials. In the event COMPANY or any other party encounters asbestos or hazardous or toxic materials at the job site, or should it become known in any way that such materials may be present at the job site or any adjacent areas that may affect the performance of COMPANY'S services, COMPANY may, at its option and without liability for consequential or any other damages, suspend performance of services on the project until the CLIENT retains appropriate specialist consultant(s) or contractor(s) to identify, abate and/or remove the asbestos or hazardous or toxic materials, and warrants that the job site is in full compliance with applicable laws and regulations.

Nothing contained within this Agreement shall be construed or interpreted as requiring COMPANY to assume the status of a generator, storer, transporter, treater, or disposal facility as those terms appear within the Resource Conservation and Recovery Act, 42 U.S.C.A., §6901 et seq., as amended, or within any State statute governing the generation, treatment, storage, and disposal of waste.

8.24 Certificate of Merit

The CLIENT shall make no claim for professional negligence, either directly or in a third party claim, against COMPANY unless the CLIENT has first provided COMPANY with a written certification executed by an independent design professional currently practicing in the same discipline as COMPANY and licensed in the State in which the claim arises. This certification shall: a) contain the name and license number of the certifier; b) specify each and every act or omission that the certifier contends is a violation of the standard of care expected of a Design Professional performing professional services under similar circumstances; and c) state in complete detail the basis for the certifier's opinion that each such act or omission constitutes such a violation. This certificate shall be provided to COMPANY not less than thirty (30) calendar days prior to the presentation of any claim or the institution of any judicial proceeding.

8.25 Limitation of Liability

The CLIENT agrees, to the fullest extent permitted by law, to limit the liability of COMPANY and COMPANY'S officers, directors, partners, employees, shareholders, owners and subconsultants to the CLIENT for any and all claims, losses, costs, damages of any nature whatsoever or claims expenses from any cause or causes, including attorneys' fees and costs and expert witness fees and costs, so that the total aggregate liability of COMPANY and its officers, directors, partners, employees, shareholders, owners and subconsultants to all those named shall not exceed COMPANY'S total fee received for services rendered on this project or \$50,000.00, whichever is less. It is intended that this limitation apply to any and all liability or cause of action however alleged or arising, unless otherwise prohibited by law.

This AGREEMENT is approved and accepted by the CLIENT and COMPANY upon both parties signing and dating the AGREEMENT. Work cannot begin until COMPANY receives a signed agreement. The effective date of the AGREEMENT shall be the last date entered below.

Sincerely,

HR GREEN, INC.

Mark Hardie

Mark Hardie, P.E.

Approved by: *Timothy J. Hartnett*

Printed/Typed Name: Timothy J. Hartnett

Title: Vice President, Practice Leader –
Government Services Date: 2-12-15

VILLAGE OF LEMONT, ILLINOIS

Accepted by: _____

Printed/Typed Name: _____

Title: _____ Date: _____



Village of Lemont
Planning & Economic Development Department

418 Main Street · Lemont, Illinois 60439
phone 630-257-1595 · fax 630-257-1598

TO: Committee of the Whole
FROM: Charity Jones, AICP, Planning & Economic Development Director
SUBJECT: RTA Developer Panel Report
DATE: February 13, 2015

SUMMARY

Last year, the Village was awarded a grant from the Regional Transit Authority (RTA). The RTA provides grant funds available each year to communities that have previously completed an RTA-funded transit oriented development (TOD) plan; Lemont was eligible for grant funding due to the completion of the Lemont Station Area Plan in 2004. The grant funded a "Developer Discussion Panel" in which representatives from the Urban Land Institute (ULI) and developers from around the Chicago area learned about downtown Lemont and provided suggestions for strategies to continue to improve our downtown district, focusing on a few key opportunity sites. Attached is a summary of the developer panel.

ATTACHMENTS

1. RTA/ULI Developer Discussion Panel Report



DEVELOPER DISCUSSION PANEL

Summary Report: January 2014



Regional
Transportation
Authority



Urban Land
Institute

Introduction



Downtown Lemont. Photo Credit: RTA

The Regional Transportation Authority (RTA) has invested over \$4 million of its own funds and leveraged over \$6 million of local and Federal funds during the past 15 years to complete approximately 90 transit-oriented development (TOD) planning studies through the RTA's [Community Planning](#) program. This program funds TOD planning studies and implementation assistance that promote walkable, mixed-income, mixed-use development co-located and/or well-connected to retail and business uses in transit station areas while also increasing overall access to transit.

From the RTA's perspective, pursuing and achieving implementation of these plans can result in more efficient transit operations, improved access to transit services and a potential for increased ridership for all three of our Service Boards (Metra, Pace and CTA). Implementation efforts can also increase private investment in TOD areas while promoting the principles of sustainability and livability.

As part of these increased efforts, the RTA is working with the Urban Land Institute (ULI) in Chicago to facilitate discussions between individual communities and development experts to shed light on the future of TODs and how this relates to the changing market and economy



Lemont Metra Station. Photo Credit: RTA

A Developer Discussion Panel was held in Lemont on **October 8, 2014** and this report summarizes the discussion and the panel's recommendations and suggested strategies.

Discussion Participants

Urban Land Institute & Regional Transportation Authority

Paul Ivers, Division President, Cambridge Homes

Tony Manno, Project Manager, RTA

Cindy McSherry, Executive Director, ULI Chicago

Greg Terwilliger, Vice President, Business Development, Novak Construction

Sarah Wick, Project Manager, Related Midwest

Village of Lemont

Paul Chialdikas, Trustee

Martha Glas, Village Planner

Charity Jones, Planning & Economic Development Director

George J. Schafer, Village Administrator



I&M Canal. Photo Credit: RTA



Budnik Building, Main Street. Photo Credit: RTA

Background

The Lemont Station Area Planning Study was completed in November 2004 and this project focused on recommendations to increase mixed use development and improve access and circulation, while maintaining the historical character of the study area. Detailed concept plans for the western portion of the Village, including the Metra station area, were prepared.

Since the completion of the Plan, the Village has adopted a Unified Development Ordinance, attracted the development of the Front Street Lofts near the Metra station; implemented Shop Lemont-the 3/50 Project, a “shop local” initiative; administered a downtown sign, façade, and site improvement grant program; and enhanced the Heritage Quarries Recreation Area. Additionally, the I-355 extension is in operation and has increased accessibility to Lemont and specifically the historic downtown.

The Village is presently working on an update to the Village Comprehensive Plan. The original Plan was developed in 2002 and updated in 2006 to include design guidelines for the 127th Street corridor. The current Comprehensive Plan update seeks to include a more substantive discussion around housing and economic development. In 2012, the Planning & Economic Development Department administered a community survey to gauge public opinion on a number of matters important to the update of the Plan. Over 400 residents completed the survey. *When asked “What is your vision for Lemont”, nearly 80% of the respondents stated a “thriving downtown”.*

The goal of the ULI panel was to gain feedback on the challenges being faced for development in the area, the highest and best uses of key available sites that can support transit service, and how the Village may best encourage development.



Discussion Panel Participants. Photo Credit: RTA



Riverwalk Behind New Development. Photo Credit: RTA

TOD Opportunity Sites



#1: 110-116 Main Street

#2: 225-241 Canal Street

#3: 400 Main Street

110-116 Main Street

110-12 Main St
Lot Size: 0.50 Acres
SF: 12,000

116 Main St
Lot Size: 0.86 Acres
SF: 9,200



225-241 Canal Street

Lot Size: 1.51
Acres SF: 65,774

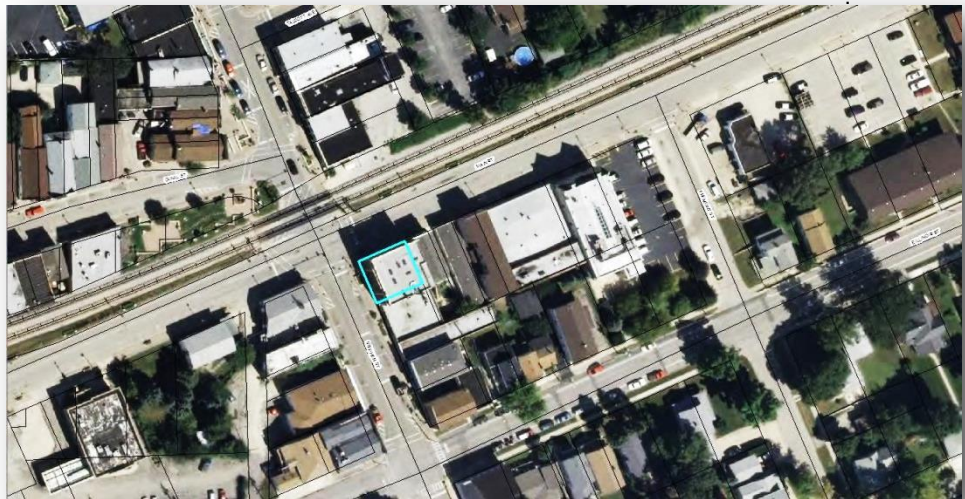


400 Main Street

Lot Size: 0.07 Acres

SF: 2,871

Commercial space vacant as of 2010, residential units occupied



Key Recommendations

Short-Term Recommendations

- Re-engage the developer of Front Street Lofts and discuss the possibility of converting the vacant commercial space to live/work units. These units have been vacant for quite a while and converting to live/work spaces may attract tenants looking for an alternative type of retail/commercial space;
- Focus on creating a “gathering place” in the downtown area to create and encourage community events and activity. A potential pocket park can be created on the vacant land adjacent to the Front Street Lofts. By generating activity in the downtown area you are encouraging residents and visitors to also patronize the existing businesses;
- Let the Downtown TIF expire and expand the Canal TIF to include some of the downtown properties that are identified as development opportunities. By creating a new TIF district the Village can explore bond opportunities and other incentives to attract development with a new 23-year TIF district;
- Engage a consultant that can perform a Rent Study to identify the downtown area’s rental demographic, appropriate rental rates, and overall market. By identifying the rental market the Village can work to attract the appropriate uses and help manage the expectations of the current business and land owners;
- Re-establish a relationship with the downtown business owners and work together to generate more interest in existing businesses by creating a Downtown Business Map to help showcase existing restaurants, taverns, and shops;

- Pursue a restaurant use for 400 Main Street. This location is in a prime location in the downtown area and can accommodate a neighborhood restaurant use;
- Explore offering complimentary valet parking services for the downtown restaurants and taverns. The Front Street Lofts public parking deck can be used as a central (free) parking location. Valet parking could not only attract more patrons to the downtown area, but also encourage patrons to stay/shop longer knowing that they have easy and free access to parking.

Long-Term Recommendations

- Encourage multi-family rental residential development in the downtown area. The zoning allows for this type of use and there are sites available for development. Attract development by streamlining the approval process and encouraging by-right development;
- Continue to promote the I&M Canal as a focal point of the downtown. Explore improving the canal by working with MWRD to increase the volume of water and generate water flow. By beautifying the canal and creating a moving water feature, it will become the focal point of the downtown area and can create natural gathering spaces;
- Focus redevelopment efforts on the north side of Site #2 (225-241 Canal Street). The southern portion of Site #2 would be most appropriate for parking to serve development on the north side, as well as public parking. Additionally, consider vacating Lemont Street north of Canal Street to create a promenade that leads to the I&M Canal;
- Consider updating the wayfinding and signage program to more clearly illustrate available parking areas (including the public parking deck in the Lofts building), various gathering spaces, civic uses, walking/bike paths, etc.
- Continue to promote the Village's great amenities including the Canal, bike trails and school system. These are amenities that will attract people not only to the downtown area, but to the community as a whole.

Lemont Developer Discussion Panel Summary Report (January 2014)



Wall Mural Along Front Street. Photo Credit: RTA



Wall Mural at Main Street and Illinois Street. Photo Credit: RTA