

**VILLAGE BOARD  
COMMITTEE OF THE WHOLE MEETING**

**OCTOBER 20, 2014 - 6:30 P.M.  
(RECESS 7:30-8 P.M.)  
LEMONT VILLAGE HALL  
418 MAIN ST.  
LEMONT, IL 60439**

**AGENDA**

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. DISCUSSION ITEMS**
  - A. 901 SINGER AVE. VARIATION DISCUSSION  
(PLANNING & ED)(STAPLETON)(JONES/GLAS)**
  - B. QUARRY AREA RESTORATION PROJECT DISCUSSION  
(ADMIN.)(REAVES)(SCHAFFER)**
  - C. PRESENTATION OF MUNICIPAL COMPLIANCE REPORT, ACTUARY REPORT AND  
ACTUARIAL FUNDING POLICY  
(FINANCE)(SNIEGOWSKI)(SMITH, POLICE PENSION BOARD)**
  - D. 2014 PROPERTY TAX LEVY ESTIMATES DISCUSSION  
(ADMIN./FINANCE)(REAVES/SNIEGOWSKI)(SCHAFFER/SMITH)**
  - E. PROCUREMENT CARD USAGE GUIDE DISCUSSION  
(ADMIN./FINANCE)(REAVES/SNIEGOWSKI)(SCHAFFER/SMITH)**
  - F. FY15 BUDGET AMENDMENT DISCUSSION  
(ADMIN./FINANCE)(REAVES/SNIEGOWSKI)(SCHAFFER/SMITH)**
  - G. OPEN MEETING ACT RULES OF ORDER DISCUSSION  
(ADMIN.)(REAVES)(SCHAFFER)**
  - H. ROUTE 83 & MAIN GATEWAY REDEVELOPMENT SITE – CONSULTANT SELECTION  
(PLANNING & ED)(CHIALDIKAS)(JONES)**
- IV. UNFINISHED BUSINESS**
- V. NEW BUSINESS**
- VI. AUDIENCE PARTICIPATION**
- VIII. ADJOURN**



Village of Lemont  
*Planning & Economic Development Department*

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

TO: Committee of the Whole  
FROM: Martha M. Glas, Village Planner  
THRU Charity Jones, AICP, Planning & Economic Development Director  
SUBJECT: Case 14-07 901 Singer Ave Variation  
DATE: October 15, 2014

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#### **SUMMARY**

Joe Dlugopolski, owner of the subject property, met with the Committee of the Whole on September 15 regarding the fence variation request to allow a 6' privacy fence in a corner side yard at 901 Singer Ave. Staff and the PZC did not recommend approval. Primary concerns were safety, particularly because the fence would obstruct the view of Norton as cars exit the alley.

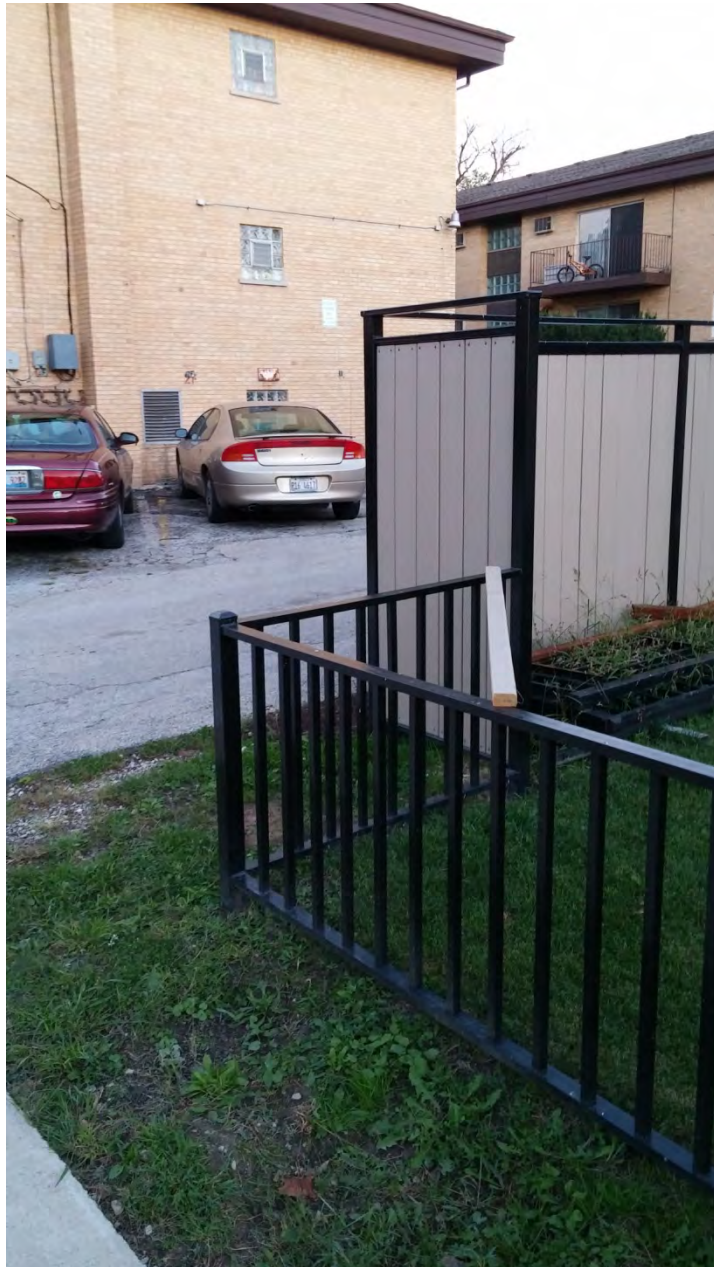
After discussing the concerns, COW members advised the applicant to angle the fence at a 45 degree angle on the corner of Norton and the alley. Additionally the applicant was advised to reduce the fence to 5' including the top rail. The applicant was amenable to the suggested changes and submitted revised plans for the PZC to review, as requested at the COW.

The PZC reviewed the revised plans at the September 17 meeting and were agreeable to the proposed change, stating that it was a good compromise. The proposed revisions are attached for review.

#### **ATTACHMENTS**

1. Site Photos
2. Revised Plat of Survey

SITE PHOTOS







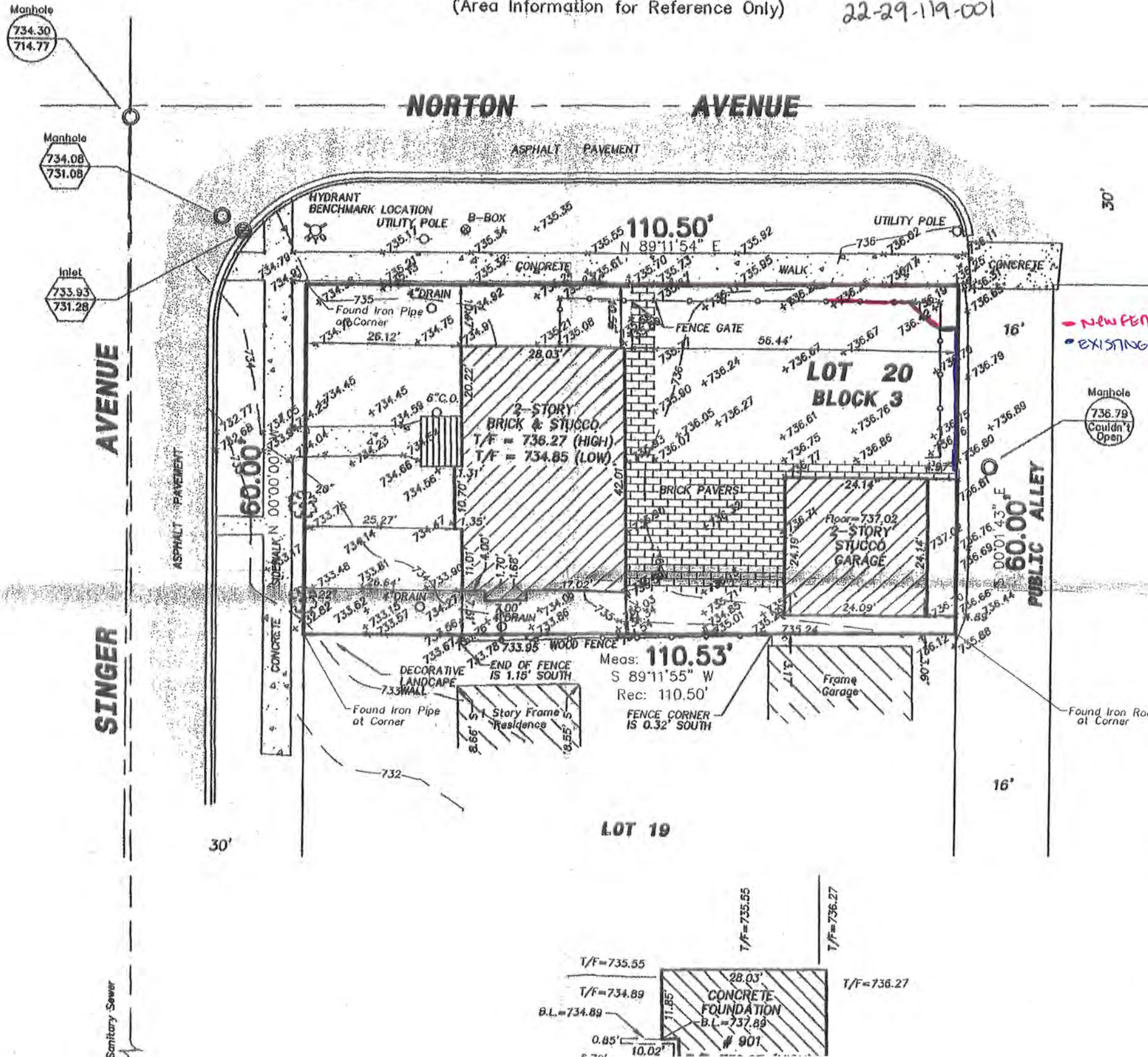
OF:

LOT 20 IN BLOCK 3 IN SUBDIVISION OF THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4 OF SECTION 29, TOWNSHIP 37 NORTH, RANGE 11 EAST OF THE THIRD PRINCIPAL MERIDIAN, INCLUDING THE SOUTH 30 FEET OF THE NORTHEAST 1/4 OF THE NORTHWEST 1/4 TO FORM THE NORTH 1/2 OF EUREKA AVENUE, AS RECORDED JANUARY 12, 1886, IN BOOK 21, PAGE 26, AS DOCUMENT NO. 688090, IN COOK COUNTY, ILLINOIS.

Area of Lot: 6,630 Square Feet or 0.152 Acres (More or Less)

(Area Information for Reference Only)

22-29-119-001



RECEIVED  
 DEC 05 2011  
 Village of Lemont  
 BUILDING DEPARTMENT

Engineering  
**VILLAGE OF LEMONT**  
 APPROVED  
 APPROVED AS NOTED  
 NOT APPROVED  
 Date: 12/19/11 Signature: [Signature]

\* swale must be per approved site plan along south property line  
 \* rear yard sheet flow to building; must slope away 0.5' in 10'



## **Village Board**

### **Agenda Memorandum**

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To: Mayor & Village Board

From: George Schafer, Village Administrator

Subject: **Quarry Area Restoration Project Discussion**

Date: October 16, 2014

#### **BACKGROUND/HISTORY**

CITGO is partnering with the Lemont community and the Wildlife Habitat Council on an environmental restoration project in the Heritage Quarry Recreational Park. The first phase of the project will include a quarry day event involving science students from all levels along with volunteers from the community and surrounding area to evaluate and log the area's native and invasive species, as well as beginning the process for removal of the invasive species. This survey event is meant to be an initial step for a multi-year program on developing, maintaining and preserving the quarry area. The date for the event will be Saturday, November 1, 2014. A representative from CITGO will be in attendance at the meeting to go into the project in further detail.

#### **RECOMENDATION**

#### **ACTION REQUIRED**

None. Discussion Only

#### **ATTACHMENTS**

Lemont Quarry Restoration Flyer



# VOLUNTEERS NEEDED FOR LEMONT QUARRY RESTORATION PROJECT

Free lunch, jacket, and door prize giveaway for all volunteers!

## CITGO AND THE LEMONT COMMUNITY PARTNER WITH THE WILDLIFE HABITAT COUNCIL TO RESTORE THE LEMONT QUARRY AREA!

We invite you to join us on Saturday, November 1st for an environmental restoration project along the Lemont Quarry. Together, we'll work to log the area's native and invasive species as the first phase of a cleanup project. All individuals, families, groups, organizations and businesses are welcome to participate.

### WHEN:

**Saturday, November 1, 2014 | 7am-1pm**

7-8:30 am - Registration | 9 am - Event Kickoff | 12 pm - Lunch

Volunteers will park at the Lemont Train Station located at 101 Main Street and will be shuttled to the Lemont Heritage Quarries. Final bus departs at 8:45 am sharp.

### WHERE:

**Lemont Heritage Quarries, IL**

Registration will take place at the Lemont Train Station, 101 Main Street, Lemont

### REGISTER:

**Please register in advance at**

<http://citgocaringforourenvironment.com/lemont>

### IMPORTANT INFORMATION:

Please wear rugged clothing and shoes  
Equipment, training, lunch and drinks will be provided to all volunteers  
Registration will close promptly at 8:30am on November 1, 2014



For more information contact  
CITGO Lemont Refinery's Community  
Relations Coordinator, Anna Fratto at  
[afratto@citgo.com](mailto:afratto@citgo.com)

 [Facebook.com/lemontquarryrestorationproject](https://www.facebook.com/lemontquarryrestorationproject)





# Village Board

## Agenda Memorandum

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To: Mayor & Village Board

From: Ed Mansell, Police Pension Fund President  
Dan Dykshorn, Secretary  
Christina Smith, Finance Director

Subject: **Presentation of Municipal Compliance Report, Actuary Report, and Actuarial Funding Policy**

Date: October 20, 2014

### **BACKGROUND/HISTORY**

The Municipal Compliance Report, House Bill 5088 Public Act 95-950, must be provided to the Municipality before the tax levy is filed on the last Tuesday of December. This report is a recap of the actuarial information prepared by Lauterbach and Amen in anticipation of the tax levy for the Police Pension Fund. Historically, the Village Board has levied the recommended amount from the actuary and in some years the levy has been greater than the recommended amount.

Additionally, the Pension Board has worked on formalizing an Actuarial Funding Policy. This policy outlines the assumptions that the actuary uses to determine the future tax levy.

Over the last year, the Pension Board has met monthly to discuss Investment Advisor, Fixed Income Managers, Funding, Accounting Services etc. The discussions began due to the fact that the fund surpassed the \$10 million mark, which classifies it as a large fund with different investment opportunities. The Pension Board felt that it would be beneficial to retain financial as well as legal services in assistance with the operations of the pension fund. The additional cost to retain these services are approximately \$20,000 per year. Please note that this is a new expenditure to this fund that was not a part of the 2014 Actuary Report.

### **DISCUSSION**

The attached Municipal Compliance Report shows that the funds total asset is \$12,831,932, which represents a 7.86% investment return. The funding requirement for the 2014 tax levy is \$618,344. The funding requirement is \$21,972 less than the 2013 tax levy. In order to stay consistent with the 2013 tax levy, to assist with the future unfunded amount, and to assist with the added cost, the Pension Board requests that the Village Board considers to approve a 2014 tax levy of \$640,316, which is flat with the 2013 tax levy. The Pension Board appreciates the Village Board's consideration and support over the years.

### **ATTACHMENTS**

- 1) Municipal Compliance Report
- 2) Actuary Report
- 3) Actuarial Funding Policy

VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND

HOUSE BILL 5088 - MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED

APRIL 30, 2014

**VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2014**

The Pension Board certifies to the Board of Trustees of the Village of Lemont, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

- 1) The total net assets of the fund and their current market value of those assets:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Net Assets	<u>\$ 12,831,932</u>	<u>\$ 11,699,246</u>
Market Value	<u>\$ 12,831,932</u>	<u>\$ 11,699,246</u>

- 2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police and from other sources:

Estimated Receipts - Employee Contributions	<u>\$ 238,500</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$ 898,200</u>
Municipal Contributions	<u>\$ 618,344</u>

- 3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	<u>\$ 724,200</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>\$ N/A</u>
Private Actuary - Lauterbach & Amen, LLP	
Recommended Municipal Contribution	<u>\$ 618,344</u>
Statutory Municipal Contribution	<u>\$ 445,225</u>

**VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2014**

- 4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Net Income Received from Investment of Assets	<u>\$ 963,871</u>	<u>\$ 807,517</u>
Assumed Investment Return		
Illinois Department of Insurance	<u>N/A</u>	<u>6.75%</u>
Private Actuaries	<u>7.00%</u>	<u>7.00%</u>
Actual Investment Return	<u>7.86%</u>	<u>7.25%</u>

- 5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	<u>27</u>
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- 6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	<u>Number of</u>	<u>Total Amount Disbursed</u>
(i) Regular Retirement Pension	<u>8</u>	<u>\$ 416,002</u>
(ii) Disability Pension	<u>0</u>	<u>\$ 0</u>
(iii) Survivors and Child Benefits	<u>5</u>	<u>\$ 152,120</u>
Totals	<u>13</u>	<u>\$ 568,122</u>

**VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2014**

7) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>N/A</u>	<u>72.06%</u>
Private Actuaries	<u>67.95%</u>	<u>65.04%</u>

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	<u>\$ N/A</u>
Private Actuary - Lauterbach & Amen, LLP	<u>\$ 6,050,701</u>

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

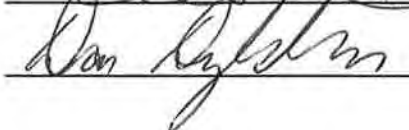
Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL POLICE  
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this 8<sup>th</sup> day of OCT, 2014

President  Date 10-8-14

Secretary  Date 10-8-14

**VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2014**

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INDEX OF ASSUMPTIONS

- 1) Total Net Assets - as Reported in the Audited Financial Statements for the Years Ended April 30, 2014 and 2013.

Market Value - Same as Above.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended April 30, 2014 plus 5.57% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources

Investment Earnings - Net Assets as Reported in the Audited Financial Statements for the Year Ended April 30, 2014, times 7% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

Municipal Contributions - Recommended Tax Levy Requirement as Reported by Lauterbach & Amen, LLP, Actuarial Valuation for the Year Ended April 30, 2014.

- 3) (a) Pay all Pensions and Other Obligations - Total Deductions as Reported in the Audited Financial Statements for the Year Ended Lemont, plus a 25% Increase, Rounded to the Nearest \$100.

(b) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - No April 30, 2014 Actuarial Valuation available at the time of this report.

Private Actuary

Recommended Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the April 30, 2014 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the April 30, 2014 Actuarial Valuation.

**VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2014**

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INDEX OF ASSUMPTIONS - Continued

- 4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended April 30, 2014 and 2013.

Assumed Investment Return

Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the April 30, 2013 Actuarial Valuation. No April 30, 2014 Actuarial Valuation available at the time of this report.

Private Actuary - Current Interest Rate Assumption as Reported in the Lauterbach & Amen, LLP, April 30, 2014 Actuarial Valuation. Preceding Fiscal Year Interest Rate Assumption as Reported in the Timothy W. Sharpe, Actuary, April 30, 2013 Actuarial Valuation.

Actual Investment Return - Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning and End of Year Net Assets as Reported in the Audited Financial Statements for the Fiscal Years Ended April 30, 2014, 2013 and 2012.

- 5) Number of Active Members - Illinois Department of Insurance Annual Statement for April 30, 2014 - Schedule P.
- 6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for April 30, 2014 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.
- (ii) Disability Pension - Same as above.
- (iii) Survivors and Child Benefits - Same as above.

**VILLAGE OF LEMONT, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2014**

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INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Preceding Fiscal Year Actuarial Value of Assets as a percentage of Actuarial Liability as Reported in the April 30, 2013 Actuarial Valuation. No April 30, 2014 Actuarial Valuation available at the time of this report.

Private Actuary - Current Fiscal Year Actuarial Value of Assets as a percentage of Actuarial Liability as Reported in the Lauterbach & Amen, LLP, April 30, 2014 Actuarial Valuation. Preceding Fiscal Year Actuarial Value of Assets as a percentage of Actuarial Liability as

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No April 30, 2014 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Lauterbach & Amen, LLP in the April 30, 2014 Actuarial Valuation.



Lauterbach & Amen, LLP  
27W457 Warrenville Road  
Warrenville, IL 60555-3902

Actuarial Valuation  
as of May 1, 2014

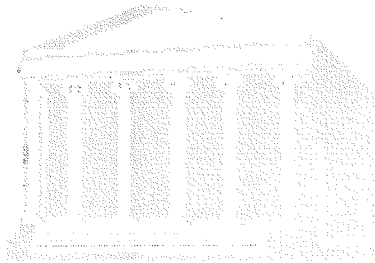
LEMONT POLICE  
PENSION FUND

Utilizing Data as of April 30, 2014  
For the Contribution Year May 1, 2014 to April 30, 2015

***LAUTERBACH & AMEN, LLP***

Actuarial Valuation  
as of May 1, 2014

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LEMONT POLICE  
PENSION FUND

Utilizing Data as of April 30, 2014  
For the Contribution Year May 1, 2014 to April 30, 2015

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**Submitted by:**

Lauterbach & Amen, LLP  
27W457 Warrenville Road  
Warrenville, IL 60555-3902  
630.393.1483 Phone  
630.393.2516 Fax  
[www.lauterbachamen.com](http://www.lauterbachamen.com)

**Contact:**

Todd A. Schroeder, EA

October 7, 2014

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# **INTRODUCTION**

## Statement of Actuarial Opinion

This report documents the results of the Actuarial valuation of the Lemont Police Pension Fund. The purpose is to report the actuarial contribution requirement for the contribution year May 1, 2014 to April 30, 2015. Determinations for purposes other than meeting the employer's actuarial contribution requirements may be significantly different from the results herein.

The results in this report are based on information and data submitted by the Lemont Police Pension Fund including studies performed by prior actuaries. We did not prepare the actuarial valuations for the years prior to May 1, 2014 excluding the May 1, 2012 Valuation. Those Valuations were prepared by other actuaries whose reports have been furnished to us, and our disclosures are based upon those reports. An audit of the information was not performed, but high-level reviews were performed for general reasonableness, as appropriate, based on the purpose of the valuation. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information. The results of the actuarial valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The Lemont Police Pension Fund selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in this valuation are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable funding requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. The undersigned of Lauterbach & Amen, LLP, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render this Actuarial Opinion. There is no relationship between the Lemont Police Pension Fund and Lauterbach & Amen, LLP that impairs our objectivity.

The information contained in this report was prepared for the use of the Lemont Police Pension Fund and the name in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. It is intended to be used in its entirety to avoid misrepresentations.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP



Todd A. Schroeder, EA



## SUMMARY OF ACTUARIAL VALUATION

### *Contribution Requirement*

	Prior Valuation*	Current Valuation
Contribution Requirement	\$640,316	\$618,344
Expected Payroll	\$2,390,299	\$2,219,059
Contribution Requirement as a Percent of Expected Payroll	26.79%	27.87%

*Recommended  
Contribution  
has Decreased  
21,972 from  
the Prior  
Year.*

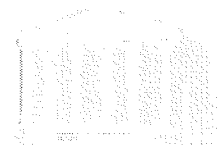
Recommended Contribution is based on the Funding Policy agreed upon by the Board.

### *Funded Status*

	Prior Valuation*	Current Valuation
Normal Cost	\$565,319	\$475,543
Market Value of Assets	\$11,699,246	\$12,831,932
Actuarial Value of Assets	\$11,654,290	\$12,831,122
Actuarial Accrued Liability	\$17,942,779	\$18,881,823
Unfunded Actuarial Accrued Liability	\$6,288,489	\$6,050,701
Percent Funded		
Actuarial Value of Assets	64.95%	67.95%
Market Value of Assets	65.20%	67.96%

*Funded  
Percentage  
has Increased  
3.0 on an  
Actuarial  
Value of  
Assets Basis.*

\*Prior Valuation was completed by Timothy Sharpe.



## COMMENTS AND ANALYSIS

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### Funding Policy

The Recommended contribution is based on the Funding Policy for the Plan. A Funding Policy has three key numerical components:

1. **The Actuarial Cost Method:** The Actuarial Cost Method budgets a contribution for each year of an employee's working career. Cash contributions are made according to the budget ("Normal Cost" contributions). In addition the Actuarial Cost Method can measure how well the funding is progressing compared to the budgeted contributions.
2. **Amortization Policy:** When Plan funding is not where expected (according to budget), procedures are put into place to pay down any shortfall. This leads to a second piece of the cash contribution (the "Amortization Payment").
3. **Actuarial Value of Assets:** Fluctuations in the plans assets due to short-term gains and losses may be smoothed over some period of time to minimize long-term contribution volatility.

### Actuarial Cost Method

The Actuarial Cost Method under the Funding Policy is the Entry Age Normal (EAN) Cost Method (as a percent of payroll). The EAN method creates budgeted contributions that are expected to be stable as a percent of payroll over time, creating equity over generations of taxpayers.

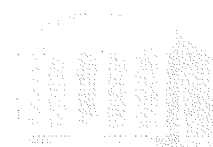
### Amortization Policy

The Funding Policy amortizes the current unfunded liability with a target of 100% funding by 2040.

### Actuarial Value of Assets

The actuarial value of assets under the funding policy is equal to the fair market value of assets, with unexpected gains and losses smoothed over 5 years. Only gains and losses that occurred in fiscal years subsequent to March 30, 2011 are being smoothed.

The net impact is that the actuarial value of assets is approximately the same as the market value of assets.



## COMMENTS AND ANALYSIS - CONTINUED

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### Actuarial Liability/Contribution Requirement Changes

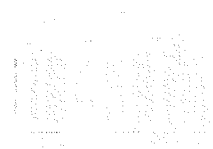
Actuarial liability is expected to increase each year for both interest for the year and as active employees earn additional service years towards retirement. Similarly actuarial liability is expected to decrease when the fund pays benefits to inactive employees. Other increases or decreases in actuarial liability will increase or decrease the amount of unfunded liability in the plan. To the extent unfunded liability increases or decreases unexpectedly, the contribution towards unfunded liability will also change unexpectedly.

Contributions are expected to increase at the rate of expected pay increases under the funding policy for the Fund.

The recommended contribution in the April 30, 2012 report was \$495,699. Contributions were expected to increase 5.5% per year over the course of the past two years leading to a total expected increase in the contribution of about \$60,000 as of April 30, 2014. The contribution increased an additional \$17,000 due to pay increasing more than expected. Most notably, pay increases during the fiscal year ending 4/30/2013 were higher than expected across the board.

Other population factors increased the contribution by \$15,000. Most notably, 6 new officers were hired in the past two years (offset by 4 new retirees and 1 new termination in the department). Benefit amounts were updated based on a benefit review completed early in 2014 as well.

The assumptions for plan mortality, retirement rates, termination rates, and disability rates were changed from the prior valuation. The rates were changed to rates based on the Lauterbach & Amen, LLP 2012 study for police pensions, and experience in Lemont. The contribution increased approximately \$28,000 based on the updated assumptions. The details are listed later in this report.





## **ASSETS**

## MARKET VALUE OF ASSETS

### *Market Value of Assets*

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	Prior Valuation	Current Valuation
Cash and Cash Equivalents	\$ 448,119	\$ 357,360
Fixed Income	6,322,299	6,067,863
Mutual Funds	4,839,599	6,322,990
Receivables (Net of Payables)	89,229	83,719
Net Assets Available for Pensions	\$ 11,699,246	\$ 12,831,932

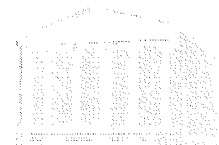
*The Total Value of Assets has Increased \$1,132,686 from the Prior Valuation.*

### *Change in Market Value of Assets*

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Total Market Value - Prior Valuation	\$ 11,699,246
Plus - Employer Contributions	522,216
Plus - Employee Contributions	225,930
Plus - Return on Investments	963,871
Less - Benefit and Related Payments	(568,122)
Less - Other Expenses	(11,209)
Total Market Value - Current Valuation	\$ 12,831,932

*The Return on Investment on the Market Value of Assets for the Fund was Approximately 8.1% Net of Administrative Expenses.*



## ACTUARIAL VALUE OF ASSETS

### *Current Year Loss/(Gain) Assets*

Total Market Value - Prior Valuation		\$ 11,699,246
Contributions		748,146
Benefit Payments		(568,122)
Expected Return on Investments		<u>851,433</u>
Expected Total Market Value - Current Valuation		12,730,703
Actual Total Market Value - Current Valuation		<u>12,831,932</u>
Current Market Value Loss/(Gain)		<u>\$ (101,229)</u>
Expected Return on Investments		\$ 851,433
Actual Return on Investments (Net of Expenses)		<u>952,662</u>
Current Market Value Loss/(Gain)		<u>\$ (101,229)</u>

*The Current Year Loss/Gain is the Difference in Earnings Between the Actuarial Assumed Rate of Return on Investments and the Actual Investment Returns.*

### *Development of the Actuarial Value of Assets*

Total Market Value - Current Valuation		<u>\$ 12,831,932</u>
Adjustment for Prior Losses/(Gains)		
	<u>Full Amount</u>	
First Proceeding Year	\$ (101,229)	(80,983)
Second Proceeding Year	(24,885)	(14,931)
Third Proceeding Year	237,760	95,104
Fourth Proceeding Year	-	-
Total Deferred Loss/(Gain)		<u>(810)</u>
Initial Actuarial Value of Assets - Current Valuation		12,831,122
Less Contributions for the Current Year and Interest		-
Less Adjustment for the Corridor		<u>-</u>
Actuarial Value of Assets - Current Valuation		<u>\$ 12,831,122</u>

*The Actuarial Value of Assets is Equal to the Fair Market Value of Assets with Unanticipated Gains/Losses Recognized over 5 Years. The Actuarial Value of Assets is Currently Approximately the Same as the Market Value.*

## **RECOMMENDED CONTRIBUTION DETERMINATION**

# ACTUARIAL ACCRUED LIABILITY AND FUNDED STATUS

## *Actuarial Accrued Liability*

---

	Current Valuation
Active Employees	\$ 10,414,564
Inactive Employees	
Terminated Employees - Vested	216,780
Retired Employees	7,094,087
Disabled Employees	-
Other Beneficiaries	1,156,392
Total Inactive Employees	8,467,259
Total Actuarial Accrued Liability	\$ 18,881,823

*Total Actuarial  
Accrued Liability has  
Increased 939,044  
from the Prior  
Valuation (See  
Description on Page  
2).*

## *Funded Status*

---

	Current Valuation
Total Actuarial Accrued Liability	\$ 18,881,823
Total Actuarial Value of Assets	12,831,122
Unfunded Actuarial Accrued Liability	\$ 6,050,701
Total Market Value of Assets	\$ 12,831,932
Percent Funded	
Actuarial Value of Assets	<u>67.95%</u>
Market Value of Assets	<u>67.96%</u>

*The Current  
Funding Policy is  
for the Pension  
Fund to be 100%  
Funded on an  
Actuarial Basis  
(Entry Age Normal  
Cost Method) by  
the Year 2040.*

# NORMAL COST AND CONTRIBUTION REQUIREMENT

## *Development of the Normal Cost*

---

	Current Valuation
Total Normal Cost	\$ 475,543
Estimated Employee Contributions	<u>(219,909)</u>
Employer Normal Cost	<u>\$ 255,634</u>

*At a 100% Funding Level, the Normal Cost Contribution is Still Required.*

## *Normal Cost as a Percentage of Expected Payroll*

---

	Current Valuation
Expected Payroll	\$ <u>2,219,059</u>
Employee Normal Cost Rate	<u>9.91%</u>
Employer Normal Cost Rate	<u>11.52%</u>
Total Normal Cost Rate	<u>21.43%</u>

*Ideally the Employer Normal Cost Rate will Remain Stable.*

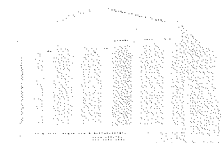
## *Contribution Requirement*

---

	Current Valuation
Employer Normal Cost*	\$ 288,922
Amortization of Unfunded Accrued Liability/(Surplus)	<u>329,422</u>
Funding Requirement	<u>\$ 618,344</u>

*The Recommended Contribution has Decreased 3.4% from the Prior Valuation (See Description on Page 2).*

\*Employer Normal Cost Contribution includes interest through the end of the year.



# ACTUARIAL METHOD AND ASSUMPTIONS

## *Actuarial Method and Assumptions Utilized*

---

Actuarial Valuation Date	May 1, 2014
Actuarial Cost Method	Entry Age Normal (Level % Pay)
Amortization Method	Level % Pay (Closed)
Amortization Target	100% Funded in year 2040
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases	4.50 - 13.25%
Aggregate Payroll Increases	4.00%
Inflation Rate Included	3.00%

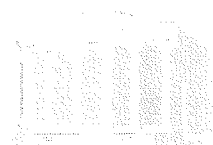
*A Summary of the Key Actuarial Assumptions and Funding Policy Decisions used in the Determination of the Recommended Contribution are Shown. More Detail is Available Later.*

Actuarial assumptions are based upon per year compounded annually.

The individual salary scale assumption was changed from a flat rate of 5.50% to a service based scale based on the most recent police contract.

<u>Service</u>	<u>Step Rate</u>	<u>Service</u>	<u>Step Rate</u>
0	7.00%	4	7.00%
1	11.00%	5	7.00%
2	7.00%	6	7.00%
3	7.00%	7	13.25%
		8+	4.50%

The change in the assumption for Mortality Rates increased the contribution amount by \$49,054. The change in the assumption for Termination Rates increased the contribution amount by \$41,493. The change in the assumption for Retirement Rates lowered the contribution amount by \$26,759. The change in the assumption for Disability Rates increased the contribution amount by \$7,403. The change in the assumption for Salary Scale lowered the contribution amount by \$43,583.



**STATUTORY MINIMUM CONTRIBUTION**



# STATUTORY MINIMUM CONTRIBUTION

## *Contribution Requirement*

---

	<u>Minimum Contribution</u>
Contribution Requirement	\$445,225
Expected Payroll	\$2,219,059
Contribution Requirement as a Percent of Expected Payroll	20.06%

*The Statutory  
Minimum  
Contribution is Based  
on Funding Methods  
and Funding  
Parameters That Were  
Incorporated Into the  
Illinois Statutes for  
Pension Funding  
Effective January 1,  
2011.*

The Statutory Minimum Contribution is based on funding methods and funding parameters in the Illinois statutes for pension funding. The resulting contribution is lower than the recommended contribution for the current plan year. The lower contribution amount is not recommended because it represents a deferral of contributions when compared to the recommended contribution method.

The recommended contribution method is intended to allocate pension contributions in a manner that provides for increases that are manageable going forward. When contributions are lowered in current years, the resulting contributions in future years can increase more rapidly, with the risk of becoming unmanageable. The Securities and Exchange Commission in 2013 used the phrase "Statutory Underfunding" to describe situations where contributions appear to be more manageable in the short-term, but set up future contribution requirements that are less likely to be manageable.



# ACTUARIAL METHOD AND ASSUMPTIONS – STATUTORY MINIMUM

## *Actuarial Method and Assumptions Utilized*

---

Actuarial Valuation Date	May 1, 2014
Actuarial Cost Method	Projected Unit Credit (Level % of Pay)
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	90% Funded in year 2040
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases	4.50 - 13.25%
Aggregate Payroll Increases	4.00%
Inflation Rate Included	3.00%

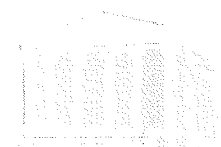
*The Statutory  
Minimum  
Contribution has  
Been Determined  
Using the Same  
Actuarial  
Assumptions as the  
Recommended  
Contribution.*

Actuarial assumptions are based upon per year compounded annually.

The individual salary scale assumption was changed from a flat rate of 5.50% to a service based scale based on the most recent police contract.

<u>Service</u>	<u>Step Rate</u>	<u>Service</u>	<u>Step Rate</u>
0	7.00%	4	7.00%
1	11.00%	5	7.00%
2	7.00%	6	7.00%
3	7.00%	7	13.25%
		8+	4.50%

Details behind the selection of the actuarial assumptions can be found in the assumption document provided to the client. The client has reviewed and approved the assumptions as a reasonable expectation of the future anticipated experience under the plan.



## **VALUATION DATA AND PROCEDURES**

## SUMMARY OF PLAN PARTICIPANTS

### *Active Employees*

---

	<u>Current Valuation</u>
Vested	19
Nonvested	<u>8</u>
Total Active Employees	<u><u>27</u></u>
Total Payroll	<u><u>\$ 2,175,548</u></u>

### *Inactive Employees*

---

	<u>Current Valuation</u>
Terminated Employees - Vested	1
Retired Employees	8
Disabled Employees	0
Other Beneficiaries	<u>5</u>
Total Inactive Employees	<u><u>14</u></u>

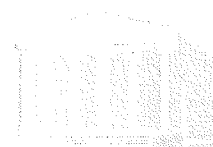
### *Inactive Employees – Summary of Monthly Benefits*

---

	<u>Current Valuation</u>
Terminated Employees - Vested	\$ 2,806
Retired Employees	36,614
Disabled Employees	-
Other Beneficiaries	<u>12,082</u>
Total Inactive Employees	<u><u>\$ 51,502</u></u>

Benefits shown for terminated employees under deferred retirement are not currently in pay status.

---



## ACTUARIAL METHODS AND ASSUMPTIONS

### *Nature of Actuarial Calculations*

---

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.

### *Actuarial Cost Methods*

---

The actuarial cost method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

In accordance with the Pension Fund's Funding Policy the actuarial cost method for the recommended contribution basis is Entry Age Normal (Level Percent of Pay). The Entry Age Normal Cost Method is a method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called normal cost. The portion of the actuarial present value not provided at a valuation date by the actuarial present value of future normal costs is called the actuarial liability.



## ACTUARIAL METHODS AND ASSUMPTIONS - CONTINUED

### *Financing of Unfunded Actuarial Accrued Liabilities*

---

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 the remaining 26 future years including the municipality's fiscal year 2040.

### *Asset Valuation Method*

---

The Actuarial Value of Assets is equal to the Market value of assets with unanticipated gains/losses recognized over five years (beginning with gains/losses in 2011).



## ACTUARIAL METHODS AND ASSUMPTIONS - CONTINUED

### *Actuarial Assumptions in the Valuation Process*

---

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described in the previous section.

The principal areas of financial risk which require assumptions about future experience are:

- Long-term Rates of Investment Return
- Patterns of Pay Increases for Members
- Rates of Mortality Among Members and Beneficiaries
- Rates of Withdrawal of Active Members
- Rates of Disability Among Members
- Age Patterns of Actual Retirement

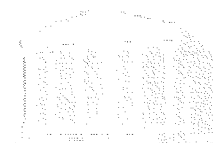
Actual experience of the Pension Fund will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution requirement.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

### *Actuarial Assumptions Utilized*

---

<b>Investment Return</b>	Are Described in the Prior Sections of this Report
<b>Salary Increases</b>	Are Described in the Prior Sections of this Report
<b>Inflation Rate Included</b>	Are Described in the Prior Sections of this Report
<b>Cost-of-Living Adjustments</b>	Are Described in the Prior Sections of this Report



## ACTUARIAL METHODS AND ASSUMPTIONS - CONTINUED

### *Actuarial Assumptions Utilized - Continued*

---

**Retirement Rates**

100% of the L&A Assumption Study for Police 2012 Cap Age 65.  
Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.170	53	0.170
51	0.170	54	0.220
52	0.170	55	0.220

**Withdrawal Rates**

100% of the L&A Assumption Study for Police 2012. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.064	40	0.019
30	0.047	45	0.012
35	0.031	50	0.000

**Disability Rates**

100% of the L&A Assumption Study for Police 2012. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.001	40	0.005
30	0.002	45	0.006
35	0.004	50	0.007

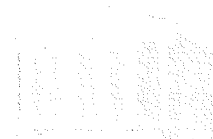
**Mortality Rates**

L&A Assumption Study for Police 2012. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.000	40	0.001
30	0.000	45	0.001
35	0.001	50	0.002

**Married Participants**

80% of Active Participants are Assumed to be Married. Spouses are Assumed to be the same age.





## SUMMARY OF PRINCIPAL PLAN PROVISIONS

### *Establishment of the Fund*

---

The Police Pension Fund is established and administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code.

### *Administration*

---

The Police Pension Fund is administered by a Board of Trustees located in each municipality maintaining a pension fund for its police officers. Its duties are to control and manage the pension fund, to hear and determine applications for pensions, to authorize payment of pensions, to establish rules, to pay expenses, to invest funds, and to keep records.

### *Employee Contributions*

---

Employees contribute 9.910% of salary.

### *Normal Retirement Pension Benefit*

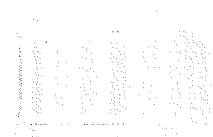
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Hired Prior to January 1, 2011

*Eligibility:* Age 50 with at least 20 years of creditable service and no longer a police officer.

*Benefit:* 50% of final salary is payable commencing at retirement for 20 years of service. An additional 2.5% of final salary is added for each additional year of service in excess of 20 years of service (not to exceed 75% of final salary). “Final salary” is the salary attached to rank held on the last day of services or for 1 year prior to the last day, whichever is greater.

*Annual Increase in Benefit:* An officer will receive an initial increase of 1/12 of 3% for each month that has elapsed since retirement. The initial increase date will be the later of the first day of the month following the attainment of age 55, or the first anniversary of the date of retirement. Subsequent increases of 3% of the current pension amount (including prior increases) will be provided in each January thereafter.



## SUMMARY OF PRINCIPAL PLAN PROVISIONS - CONTINUED

### ***Normal Retirement Pension Benefit - Continued***

---

#### Hired on or After January 1, 2011

*Eligibility:* Age 55 with at least 10 years of creditable service and no longer a police officer.

*Benefit:* 2.5% of final average salary for each year of service is payable at retirement (not to exceed 75% of final average salary). "Final average salary" is determined by dividing the highest total salary over 96 consecutive months of service in the last 120 months of service by the total number of months of service in the period. Annual salary for this purpose will not exceed \$106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the later of the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit.

### ***Early Retirement Pension Benefit***

---

#### Hired Prior to January 1, 2011

None

#### Hired on or After January 1, 2011

*Eligibility:* Age 50 with at least 10 years of creditable service and no longer a police officer.

*Benefit:* The normal retirement pension benefit reduced by ½ of 1% for each month that the police officer's age is under age 55.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the later of the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit.



## SUMMARY OF PRINCIPAL PLAN PROVISIONS - CONTINUED

### *Pension to Survivors*

---

#### Hired Prior to January 1, 2011

##### Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

##### Death - Non-Duty

*Current Pensioners (Including Disabled Pensioners):* Surviving spouse to receive continuation of the pension.

*Active Employee with 20+ Years of Service:* Surviving spouse is entitled to the full pension earned by the police officer at the time of death.

*Active Employee with 10-20 Years of service:* Surviving spouse is entitled to 50% of the salary attached to the rank of the police officer on the last day of service, payable immediately

*Annual Increase in Benefit:* None.

#### Hired on or After January 1, 2011

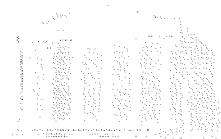
##### Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the police officer on the last day of service, payable immediately.

##### Death - Non-Duty

*Current Pensioners (Including Disabled Pensioners), Active Employee with 20+ Years of Service, and Active Employee with 10-20 Years of service:* Surviving spouse to receive 66 ⅔% of the police officer's earned pension at the date of death.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> after the attainment of age 60 by the recipient of the survivor's pension. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original survivor's benefit amount.



## SUMMARY OF PRINCIPAL PLAN PROVISIONS - CONTINUED

### ***Termination Benefit***

---

#### Hired Prior to January 1, 2011

*Eligibility:* At least 8 years but less than 20 years of creditable service.

*Benefit:* 2.5% of final salary for each year of service is payable beginning at age 60. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the police officer at termination of employment.

*Annual Increase in Benefit:* An officer will receive an initial increase of 3% on the first anniversary of the date of start of payments. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

#### Hired on or After January 1, 2011

*Eligibility:* At least 10 years but less than 20 years of creditable service.

*Benefit:* 2.5% of final salary for each year of service is payable beginning at age 60. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the police officer at termination of employment. Annual salary for this purpose will not exceed \$106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the first payment. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 mos. ending with the September preceding each November 1, applied to the original benefit amount.

### ***Disability Benefit***

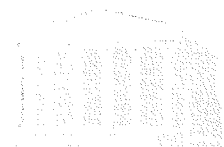
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#### Hired Prior to January 1, 2011

*Eligibility:* Disability (duty or non-duty).

*Benefit:* A police officer who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the police officer is entitled to 50% of final salary. "Final salary" is based on the pay rate for the police officer on the last day of service.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase is 3% of the original benefit for each full year that has passed since the pension began. Subsequent increases will be the 3% of the original pension benefit amount.



## SUMMARY OF PRINCIPAL PLAN PROVISIONS - CONTINUED

### *Disability Benefit - Continued*

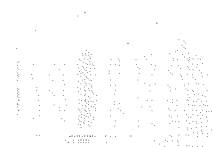
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Hired on or after January 1, 2011

*Eligibility:* Disability (duty or non-duty).

*Benefit:* A police officer who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the police officer is entitled to 50% of final salary. "Final salary" is based on the pay rate for the police officer on the last day of service.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> following the attainment of age 60. Subsequent increases will occur on each subsequent January 1<sup>st</sup>. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original benefit amount.



## **GLOSSARY OF TERMS**

## GLOSSARY OF TERMS

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***Actuarial Accrued Liability*** –The actuarial present value of future benefits based on employees’ service rendered to the measurement date using the selected actuarial cost method. It is that portion of the Actuarial Present Value of plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

***Actuarial Cost Method*** – The method used to allocate the projected obligations of the plan over the working lifetimes of the plan participants.

***Actuarial Value of Asset*** – The value of the assets used in the determination of the Unfunded Actuarial Accrued Liability. The Actuarial Value of Assets is related to Market Value of Assets, with adjustments made to spread unanticipated gains and losses for a given year over a period of several years. Actuarial Value of Assets is generally equally likely to fall above or below the Market Value of Assets, and generally does not experience as much volatility over time as the Market Value of Assets.

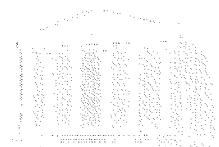
***Asset Valuation Method*** – A valuation method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of employer contributions.

***Funding Policy*** – A set of procedures for a Pension Fund that outlines the “best practices” for funding the pension benefits based on the goals of the plan sponsor. A Funding Policy discusses items such as assumptions, Actuarial Cost Method, assets, and other parameters that will best help the sponsor meet their goal of working in the best interest of the plan participant.

***Market Value of Assets*** – The value of the cash, bonds, securities and other assets held in the pension trust as of the measurement date.

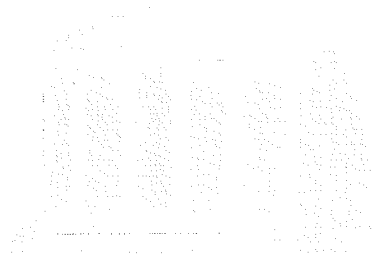
***Normal Cost*** –The present value of future benefits earned by employees during the current fiscal year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

***Unfunded Actuarial Accrued Liability*** – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The Unfunded Actuarial Accrued Liability is amortized over a period either in level dollar amounts or as a level percentage of projected payroll.



# Lemont Police Pension Fund

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## ACTUARIAL FUNDING POLICY STATEMENT

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



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## ACTUARIAL VALUE OF ASSETS

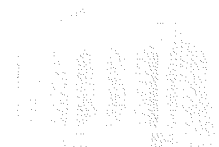
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# PURPOSE OF THE ACTUARIAL FUNDING POLICY STATEMENT

## *General Purpose*

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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*

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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*

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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*

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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*

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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*

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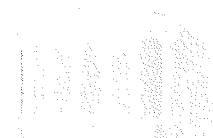
The Actuarial Cost Method will provide a method for setting the annual contribution pattern for current year services, as well as setting the expected level of assets needed to be on budget for past services rendered by employees. When the Pension Fund actuarial assets do not match the expected assets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

## *Unfunded Liability*

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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*

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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:

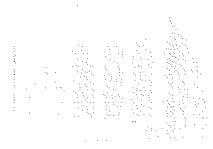
- Years – the number of years to smooth market value gains and losses.
- Corridor – A limitation placed on the Actuarial Value of Assets. This parameter will limit the Actuarial Value of Assets in relation to Market Value of Assets.

## *Selection*

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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***

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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***

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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***

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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*

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<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*

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<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

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To: Mayor & Village Board

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

Subject: **2014 Property Tax Levy Estimates**

Date: October 20, 2014

### **BACKGROUND/HISTORY**

Per State Statute, 35 ILCS 200/18-55, the Village is required to discuss a property tax levy 20 days prior to the adoption of the tax levy ordinance. The discussion needs to include the amount of the aggregate levy, which includes corporate and special purposes (ie pension, social security, IMRF). The Village is subject to the Property Tax Extension Limitation Law (PTELL), otherwise known as "tax cap." The increase factor that must be used is the lesser of the current Consumer Price Index (CPI) or five percent. This year the CPI that was provided by the state is 1.5%.

The exact equalized assessed valuation for the Village will not be known until summer of 2015, when the property taxes are collected. The state will supply a multiplier (a factor in the equation that produces the EAV), then the County Clerk will use a formula to compute a limiting rate that sets the upper limit of the Village's total tax rate. The Village can levy any amount of property tax which would produce such a rate. If the levy exceeds the limiting rate, the county will reduce the Village's levy.

The method that has been successfully used in the past is as follows:

(Currently aggregate extension) x (CPI factor) x (estimated new EAV as compared to prior EAV)

$$2,870,117 \quad \times \quad 1.015 \quad \times \quad \frac{526,241,808 + 5,597,169}{526,241,808} = \quad \mathbf{\$2,944,153}$$

The estimated amount represents an increase of 2.58% or \$74,036.

Traditionally, the Village Board would levy pensions based upon the actuarial assumptions, other components based upon estimated expenditures and corporate levy would be levied based upon the balance of the estimated levy. This year the police pension request is for the same amount as last year.

Since the increase in the estimated 2014 Property Tax levy is less than 5%, the Village would not need to hold a public hearing. However, for transparency purposes, staff is recommending to hold a public hearing on November 24, 2014 and pass the ordinance adopting the 2014 Property Tax Levy on December 8, 2014. All ordinances must be filed with the Counties the last Tuesday of the year.



**RECOMMENDATION**

Staff recommends holding a public hearing for the 2014 Estimated Tax Levy on November 24, 2014 and pass the ordinance adopting the 2014 Property Tax Levy on December 8, 2014.

**ATTACHMENTS (IF APPLICABLE)**

New EAV Calculations Estimate

Detail of the final 2011, 2012 2013 and proposed 2014 Property Tax Levy

**SPECIFIC VILLAGE BOARD ACTION REQUIRED**

Approve the 2014 Property Tax Levy

# Village of Lemont

2014 Tax Levy

## 2013 Occupancy Permits Issued

### Commercial

New Business		3,595,073
Business Remodel		<u>989,275</u>
Total Commerical Permits		4,584,348
	X	<u>0.25</u>
<b>Total Commerical EAV</b>		<b><u>\$ 1,146,087</u></b>

### Residential

Townhome/Condo		2,449,759
New Home		11,118,000
Remodel/Additions/Fin Basements		<u>943,065</u>
		14,510,824
	X	<u>0.1</u>
<b>Total Residential EAV</b>		<b><u>\$ 1,451,082</u></b>

### Other

Miscellaneous		<u>\$ 3,000,000</u>
<b>Total Miscellaneous EAV</b>		<b><u>2,250,000</u></b>

**Total Estimated Additional EAV                      \$ 5,597,169**

Current Aggregate Extension X (CPI Factor) X (estimated new EAV as compared to Prior EAV)

2013 Extension	CPI factor	EAV	New Growth EAV	
<u>2,870,117</u>		<u>1.50%</u>	<u>526,241,808.00</u>	<b><u>5,597,169</u></b>

2013 Extension	CPI factor	Growth Factor	Amount of Proposed Levy	
<u>2,870,117</u>		<u>1.015</u>	<u>1.011</u>	<b><u>2,944,154</u></b>

**Village of Lemont  
2014 Tax Levy**

Tax Levy Year	Rate Ceiling	Tax Extensions			2014
		2011	2012	2013	
Corporate	0.4375	1,378,191	1,307,411	1,238,773	1,296,879
Garbage	0.2000	-			
Police Pension		502,252	515,074	644,119	640,316
IMRF		161,009	290,041	303,115	318,271
Street and Bridge	0.1400	125,563	125,018	126,298	126,298
Police Protection	0.6000	181,435	180,026	181,553	181,553
Civil Defense	0.0500	7,810	7,778	8,419	8,419
Social Security		60,078	87,234	91,566	96,144
Auditing		25,232	25,003	25,259	25,259
Liability Insurance		61,279	61,675	62,096	62,096
Street Lighting	0.0500	64,884	65,009	66,306	66,306
Crossing Guards	0.0200	7,810	7,778	7,893	7,893
Working Cash	0.0007	-			
Workers Comp		114,148	113,905	114,720	114,720
		2,689,691	2,785,952	2,870,117	2,944,154

# Village Board

## Agenda Memorandum

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To: Mayor & Village Board

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

Subject: Procurement Card Usage Guide

Date: October 20, 2014

### **BACKGROUND/HISTORY**

On June 9, 2014 the Village Board approved Resolution 30-14 Approving an Agreement for Purchasing Card Services with First Midwest Bank. Since June 2014 staff has been working with First Midwest Bank in formulating a program and obtaining cards. The last step before cards are distributed is to have a usage guide that outlines the Villages rules and regulations that the cardholder must adhere to. Finance encourages the use of the cards, because purchases on the cards reduces processing costs and increases our rebate, however, internal controls must be in place and adhered to.

Staff is proposing the attached *Procurement Card Usage Guide*. If the Board concurs, Finance will roll out the program and distribute the cards in the next two weeks. Additionally, once this is accepted staff will update all the formal Financial policies with the Board in December 2014.

### **RECOMMENDATION**

Accept the *Procurement Card Usage Guide*.

# Village of Lemont **Procurement Card Usage Guide**

Effective October 1, 2014



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**The Objectives of the Village of Lemont Procurement Card Usage Guide are:**

1. To ensure that purchases made with procurement cards are done in accordance with Rules and Procedures established by the village.
2. To ensure that appropriate internal controls are established within each department.
3. To ensure that the village bears no legal liability from inappropriate use of procurement cards.
4. To provide a convenient and adequate source of funding for employees who must purchase for the village without the need for petty cash.
5. Finally, it is intended that the policies established in this guide be viewed as minimum standards for departments, who may wish to establish additional controls beyond those suggested within this guide.

### **Procurement Card Quick Reference**

1. The procurement card is for **Village purchases only.**
2. Cardholders **cannot use the procurement cards for personal purchases.**
3. **No alcohol or tobacco is permitted to be charged.**
4. **If a meal or food of any kind is charged, a list of attendees must accompany the itemized receipt.**
5. **No gift cards can be purchased on procurement card unless approved by the Village Administrator.**
6. **Tips must be 18% or less.**
7. **The Village of Lemont is tax exempt and sales tax should not be charged.**
8. **The Village's Purchasing Policy must be followed.**
9. **Only the cardholder may use the card.** No other person is authorized to use the card.
10. **Cash advances through bank tellers or automated teller machines cannot be made on the card.**
11. **No back-ordering is allowed.** All items purchased and being paid for using a procurement card must be immediately available.



## **Procurement Card Rules and Policies**

1. No purchases can **be made to one vendor totaling over \$20,000 in a fiscal year, unless the vendor is a utility company or unless the Village has a formal contract with the vendor.**

### **Cardholder Rules and Responsibilities:**

Any time a procurement card purchase is made, whether it is done over the counter or by telephone, retain all documents as proof of purchase. The documents will later be used to verify the purchases shown on the cardholder's weekly Statement of Account.

1. **It is the cardholder's responsibility to read and follow all rules and policies.**
2. The procurement card is for Village purchases only.
3. Cardholders cannot use the procurement cards for personal purchases.
4. No alcohol or tobacco is permitted to be charged.
5. Tips must be 18% or less.
6. The Village of Lemont is tax exempt and sales tax should not be charged. If sales tax is paid, it is the responsibility of the cardholder to obtain credit for the tax or personally pay the sales tax.
7. Only the cardholder may use the card. No other person is authorized to use the card.
8. Cash advances through bank tellers or automated teller machines cannot be made on the card.
9. No back-ordering is allowed. All items purchased and being paid for using a procurement card must be immediately available.
10. All invoices/receipts must be itemized. A proper, itemized invoice or receipt **must** accompany the charge slip (a charge slip or packing slip alone is not acceptable).
11. It is the responsibility of the cardholder to provide his or her Department Liaison with itemized documents and receipts after each purchase.
12. If the cardholder does not have documentation of the transaction to send with the statement, he or she must attach an explanation that includes a description of the item, date of purchase, merchant's name and why there is no supporting documentation.

13. If a meal or food of any kind is charged, a list of attendees must accompany the itemized receipt.
14. Must follow Purchasing Policy guidelines:
  - a. Purchases from \$2,500 to \$4,999 – require three *verbal* quotes (over \$3,000 requires Village Administrator Approval)
  - b. Purchases between \$5,000 and \$19,999 require a *written* quote and Village Administrator approval
  - c. If payments to a particular vendor will be over \$20,000 per year, item(s) or service(s) must be purchased under a *Contract*:
    - Contracts – require Formal Bid Process, Board Approval and Purchase Order – Purchase is made pursuant to contract awarded by the Village Board and Village Administrator.
    - Please note the contract # on the paperwork submitted with your weekly Department/Division Statement of Account Report.
  - d. Emergency Procurements  
The following categories of purchases have been approved as sole sources (no quote or contract required):
    - Registration for professional conferences
    - Training conferences or seminars provided by professional associations (registration and associated travel and lodging costs for attendance)
    - Dues for membership in professional associations
    - Software maintenance agreements where such agreements are only provided directly by the creator of the software or their successor
    - Payments to units of government for governmental services (e.g. filing fees, permit fees, liens, etc.).
15. All telephone purchases must be followed up with an itemized invoice/receipt via fax, e-mail, or regular mail and must be charged at time of shipment. If an item is not immediately available, no back-ordering is allowed. The order should not be placed without this assurance. Confirm that the vendor agrees when placing the order.
16. Verbal purchases may be used to acquire supplies or emergency services that can be described in sufficient detail so that the parties to the agreement have a clear understanding of what is being acquired.

Use a log to document verbal procurement card orders. The documentation will be sent to the Department Liaison until the billing statement is received and then attached to the Statement of Account and submitted to the Finance Department, attn: Procurement Card.

17. It is the cardholder's responsibility to return items for replacement or to receive credit on the purchase and/or service.

### **Department Procurement Liaison Responsibilities:**

1. Finance Department will process the Statement of Account each Friday. (sample is included)
2. By Thursday of each week all paperwork is to be attached to the weekly Statement of Account, proper signatures obtained, and then forwarded to the Finance Department, Attn: Finance-Procurement Card.
3. It is the responsibility of the Department Liaison to receive all completed documents from the cardholders, review them, and resolve any discrepancies on the purchases when matching them to the Statement of Account.
4. It is the responsibility of the Department Liaison to read and know the Cardholder Rules and Responsibilities. To ensure that the proper paperwork is attached and to insure all rules have been followed by the cardholder.
5. Should the Department Liaison not receive all of the documents, it will be their responsibility to contact the cardholder and have the documents furnished.
6. No employee is allowed to sign a Statement of Account if he or she has charges on that statement. Signature must be obtained from a supervisor.

NOTE: If a cardholder had no purchase activity on his or her procurement card for a particular billing cycle, no Statement of Account will be generated for that cardholder (unless adjustments for previously billed transactions are processed during that cycle).

### **Payment Procedures:**

1. Purchases made by employees will be paid by Accounts Payable once the Statement of Account has been received and approved by Finance Department Procurement Liaison.

### **Cardholder Spending Limits:**

The “delegation of authority” that has been provided to each cardholder has set maximum dollar amounts for a monthly limit (Monthly Purchase Limit) for all purchases made with a procurement card within a given cycle (30-days). Each time a cardholder makes a purchase with his or her procurement card, the limits will be checked and the authorization request will be declined should the amount exceed those limits.

The cardholder’s monthly limit is \$5,000. Mayor, Village Administrator, and Accounts Payable monthly limit is \$20,000.

### **Charge Disputes/Fraud:**

1. It is essential that the time frames and documentation requirements established by the procurement card issuer be followed to protect the cardholder's rights in a dispute.
2. If items purchased with the procurement card are found to be defective or the repair or services faulty, the cardholder is responsible for returning item(s) to the merchant for replacement or to receive a credit on the purchase or service. If possible call 1-800-221-5920 to report the fraud to the bank and have your card cancelled. The issuing bank will mail disputed charges paperwork that will require your signature.

During the bank's investigation, a credit will be issued to the cardholder's account for the amount questioned. If the dispute is not settled in the cardholder's favor, the account will be charged back for the disputed transaction amount.

### **Requests for Initial, Additional or Changes to Procurement Cards:**

1. All requests for new cardholders will be done by the department head sending an email to the Finance Director and cc: the Village Administrator.
2. When Finance Department receives the procurement card, it will require the cardholder to personally sign for their procurement card. Finance Department will notify the appropriate Department Liaison and Accounts Payable of the issuance of a procurement card to an employee.
3. Send changes for cardholders via email to the Finance Director, Chris Smith.

### **Lost or Stolen Procurement Cards:**

When a card is lost or stolen, it is the responsibility of the cardholder to immediately notify the Finance Department and the Department Head within 24 hours after discovery of the loss or theft of the card.

The cardholder will be required to make a written report to Finance within 48 hours, that will include complete information on the loss, the date the loss was discovered, the location where the loss occurred, if known, the purchases that the cardholder had made prior to the loss, and any other information that may be needed. The telephone number of the procurement card issuer will be provided when the procurement card is issued to the cardholder.

### **Terminated Employee:**

1. Procurement cards are issued to individual employees and assigned to specific departments. If an employee leaves the department, their card must be collected. The

department head will be responsible for collecting the card and returning it to Finance. Finance will destroy the card and will call the Liaison of the financial institution.

2. In the event the department head is not able to collect the procurement card when the employee leaves, the department head shall notify Finance Department immediately by telephone and follow-up with a memo to take action to insure the procurement card is voided. The Finance Department will notify the card issuer to void the procurement card to prevent any purchases after the employee leaves.

### **Violations of Use**

Resolution for improper use of the procurement card will be the responsibility of the Finance Director.

1. Card violations will be tracked by the Finance Department Procurement Liaison.

*Attachment 1*

**SUBMITTAL OF QUOTATIONS INFORMATION**

This form is to be attached to the itemized receipt/invoice for any item over \$2,500. Three quotes will be required for any purchase over \$2,500. Quotes can be verbal or written. However over \$4,999 it needs to be written.

<u>VENDOR NAME</u>	<u>LIAISON PERSON</u> (if verbal)	<u>AMOUNT</u>
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

Submitted by:

_____ Name (Printed)	_____ Signature
_____ Department	_____ Date

Village of Lemont  
Procurement Card Transactions  
Week of

Columns to Add by Department

<b>Diverted To Account Number</b>	<b>Cardholder Name</b>	<b>Tran Date</b>	<b>Post Date</b>	<b>Merchant Name</b>	<b>Amount</b>	<b>Reference Number</b>	<b>Tran Type</b>	<b>MCC Code</b>	<b>MCC Description</b>	<b>G/L Account Number</b>	<b>Description</b>
####-####-####-1234	JOHN DOE	10/1/2013	10/3/2013	TECHNIGRAPHICS OF MARYLAN	535.96	Ref24142053275275300516808	Purchase	5969	All Other Direct Marketers		
####-####-####-1234	JOHN DOE	10/11/2013	10/14/2013	RITE IN THE RAIN	100.42	Ref24254773286464164200048	Purchase	5964	Catalog Merchants > 85% Mail/Phone		

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Signature- Cardholder

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Signature- Supervisor

# Village Board

## Agenda Memorandum

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To: Mayor & Village Board

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

Subject: FY15 Budget Amendment

Date: October 20, 2014

### **BACKGROUND/HISTORY**

Per State Statute a budget needs to be adopted by the Board before the beginning of the fiscal year and can be amended with Board approval during the course of the fiscal year. On April 14, 2014 the Village passed ordinance O-25-14 adopting the FY2014-2015 Operating and Capital Improvement Budget.

Attached please find proposed changes for a quarterly budget amendment. This amendment changes various revenues as well as expenditures. Revenues changes include increase in grants, fines, video gaming, insurance reimbursements, and fund balance.

In the General Fund the expenditure changes include purchase of vehicle (grant funded), maintenance on buildings, information technology charges, labor attorney for union negotiations, EAB, and tree planting. In the Village Hall Improvement Fund the expenditure changes include maintenance improvements. Two years ago when Village Hall was renovated there were several enhancements to the HVAC that was not done due to the cost of the improvement. Currently, there is \$120,963 left in fund balance and staff proposes to use the funds to fix the HVAC. Left over funds will be used for small maintenance items relating to Village Hall.

Lastly, the Gateway Property Acquisition Fund has \$220,000 left in fund balance that is needed for the last property acquisition that occurred in May 2014. During the FY15 budget process the Board approved a loan from the Road Improvement Fund to the Gateway Property Acquisition Fund in the amount of \$330,000. Staff did not budget for the remaining cost of \$100,000 from the sale of 10985 Archer and the additional demolition costs. The fund will need another loan in the amount of \$223,000. Staff proposes to use water fund – fund balance for the loan. If staff concurs, an ordinance will be prepared for passage on October 27, 2014.

### **ATTACHMENTS**

Summary of changes by fund



Village of Lemont  
 Expenditures with Budget Amendment  
 As of October 1, 2014

	Actual 2012-13	Adopted 2013-14	Amended 2013-14	Actual 2013-14 (unaudited)	Adopted 2014-15	Amended Budget	Estimate 4/30/2015	Est. Fund Balance 4/30/2015	Notes
General Fund	\$8,306,604	\$8,749,627	\$9,574,293	\$9,577,341	\$8,748,612	\$ 195,700	\$8,944,312	\$2,323,272	29%
Working Cash Fund	\$513	\$1,000	\$1,000	\$1,000	\$0		\$0		
Debt Service	\$1,507,609	\$1,596,346	\$1,596,346	\$1,545,898	\$1,473,728		\$1,473,728	\$0	
IMRF Fund	\$294,363	\$300,000	\$379,200	\$379,199	\$346,620		\$346,620	\$0	
Social Security	\$217,866	\$216,766	\$251,766	\$251,323	\$250,361		\$250,361	\$8,500	
Motor Fuel Tax Fund	\$547,249	\$535,000	\$708,602	\$706,723	\$436,200		\$436,200	\$315,033	
State Forfeiture Fund	\$0	\$0	\$19,900	\$19,900	\$0		\$0	\$0	
Vehicle Replacement Fund	\$0	\$0	\$5,850	\$5,851	\$0		\$0	\$0	
Downtown TIF Fund	\$903,086	\$1,195,269	\$1,108,874	\$1,106,264	\$1,442,962		\$1,442,962	\$150,000	
Canal TIF District	\$367,956	\$374,646	\$374,646	\$346,014	\$325,026		\$325,026	\$57,507	
Gateway TIF District	\$30,123	\$187,000	\$191,000	\$17,221	\$7,200		\$7,200	\$0	
Special Service Area #1	\$141,815	\$140,000	\$143,515	\$143,140	\$144,203		\$144,203	\$333,393	
Gateway Property Acquisition Fund	\$1,286,367	\$0	\$0	\$575	\$630,000	\$ 220,000	\$850,000	\$0	
Road Improvement Fund	\$1,723,381	\$2,568,162	\$2,292,956	\$2,485,430	\$2,294,570		\$2,294,570	\$328,551	repay loan of \$330K
General Capital Improvement Fund	\$86,748	\$50,000	\$50,000	\$10,975	\$0		\$0	\$0	
Village Hall Improvement Fund	\$2,664,441	\$0	\$376,306	\$255,750	\$0	\$ 120,963	\$120,963	\$0	
Water & Sewer Fund	\$5,181,687	\$4,570,293	\$4,719,231	\$4,831,712	\$5,360,702		\$5,360,702	\$2,020,232	43%
Parking Garage Fund	\$47,418	\$32,000	\$32,000	\$29,934	\$28,400		\$28,400	\$0	
Parking Lot Fund	\$87,001	\$106,415	\$91,425	\$64,877	\$112,914		\$112,914	\$90,537	
Police Pension Fund	\$383,651	\$452,650	\$452,650	\$580,489	\$485,700		\$485,700	\$13,744,438	
<b>Expenditure Grand Totals:</b>	<b>\$23,777,879</b>	<b>\$21,075,174</b>	<b>\$22,369,560</b>	<b>\$22,359,615</b>	<b>\$22,087,197</b>	<b>\$ 536,663</b>	<b>\$22,623,860</b>		

**Gateway Property Acquisition- Need additional \$223,000 loan- \$100,000 from Sale (10985 Archer) and \$123,000 for Demolition**

**General Fund Budget Amendment**

**Revenues**

Video Gaming	15,000	
Fines General	68,000	Combination of Collection Success and Ticketing
Reimbursement Property Maint	3,000	
Income Tax	15,000	
Reimbursement Insurance	15,000	
Other Grants	25,000	Citgo Grant
	141,000	
Fund Balance	54,700	
	<b>195,700</b>	

**Expenditures**

Maint of Police, Safety Village	30,000	gate repairs/door repairs/cleaning contract
IT Related- communications	14,700	Communications and various IT main contracts
Citgo Grant	25,000	LEMA truck
Labor Attorney	15,000	Contract negotiations
Police Station IT	12,000	security system
Environmental- Trees for Earth Day	3,500	FY14 funds were not used due to poor weather conditions
Server- Laserfiche	5,500	
Emerald Ash Borer (EAB)	90,000	Only Expenditure that needs to draw fund balance
	<b>195,700</b>	

# **Village Board**

## **Agenda Memorandum**

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To: Mayor & Village Board

From: George Schafer, Village Administrator

Subject: **Open Meeting Act Rules of Order Discussion**

Date: October 16, 2014

### **BACKGROUND/HISTORY**

The Village's Boards and Commissions are subject to the provisions of the Illinois Open Meeting Act. In compliance with the Open Meetings Act, the Village Board may establish rules governing the meetings. The Village attorney has drafted an amendment to the municipal code's provisions on public meeting rules or order, primarily relating to the public comment provisions of a Board Meeting. While most of the proposed changes are legal recommendations, there are a couple policy areas that need to be discussed before the regulations are presented at a Board meeting for approval. These areas include the defined time limit for each person to speak. In addition, if the Board chooses to, it may also impose a total amount of time allowed for public comment. The draft ordinance is attached to this memo.

### **RECOMENDATION**

#### **ACTION REQUIRED**

None. Discussion Only

#### **ATTACHMENTS**

Draft Ordinance

**VILLAGE OF LEMONT  
ORDINANCE NO. \_\_\_\_\_**

**An Ordinance Amending Chapter 2 of the Lemont, Illinois Municipal Code  
Relating to Rules of Order for Village Boards and Commissions**

**ADOPTED BY THE  
PRESIDENT AND THE BOARD OF TRUSTEES  
OF THE VILLAGE OF LEMONT  
THIS \_\_\_ DAY OF \_\_\_\_\_, 2014**

**Published in pamphlet form by  
Authority of the President and  
Board of Trustees of the Village of  
Lemont, Counties of Cook, Will and  
DuPage, Illinois, this \_\_\_ day of \_\_\_\_\_, 2014.**

**ORDINANCE NO. 2014-\_\_\_\_\_****An Ordinance Amending Chapter 2 of the Lemont, Illinois Municipal Code Relating to Rules of Order for Village Boards and Commissions**

**WHEREAS**, the Village of Lemont (“Village”) is an Illinois Municipal Corporation pursuant to the Illinois Constitution of 1970 and the Statutes of the State of Illinois;

**WHEREAS**, the Village’s Boards and Commissions are subject to the provisions of the Illinois Open Meetings Act, 5 ILCS 120/1 *et. seq.*; and,

**WHEREAS**, the Illinois General Assembly has amended the Illinois Open Meetings Act (“Act”) by adding Section 2.06(g) of that Act which provides, “Any person shall be permitted an opportunity to address public officials under the rules established and recorded by the public body” (5 ILCS 120/2.06(g));

**WHEREAS**, the Village President and Board of Trustees (collectively “Village Board”) find that communication between the public and Village officials is an important and necessary function of the government; and,

**WHEREAS**, the Village Board finds that such comments should be made with decorum and should be integrated into the Village’s public meetings so as to allow for equal time for any person who desires to address the Village Board; and

**WHEREAS**, the Village Board finds that there are distinctions between those individuals wishing to make a public comment as allowed by the Act and those individuals who testify during a public hearing required prior to certain actions taken by the public body.

**NOW, THEREFORE, BE IT ORDAINED BY THE PRESIDENT and BOARD OF TRUSTEES OF THE VILLAGE OF LEMONT, COOK, DUPAGE AND WILL COUNTIES, ILLINOIS, as follows:**

**SECTION ONE:** The Lemont, Illinois Municipal Code (“Village Code”), as amended, is hereby further amended by replacing in its entirety the section 2.08.060 as indicated as follows:

**2.08.060 PUBLIC COMMENT.**

- a. All Village Boards and Commissions shall allow for an agenda item titled “Public Comment” on its agendas during every public meeting. During the Public Comment portion of a meeting, any persons who wish to address the public body on any matter of public business, whether a specific agenda item or not, may request recognition prior to the meeting or during Public Comment.
- b. During Public Comment each person who wishes to address the public body shall have no more than three (3) minutes to do so after they have been recognized by the Chairman of the public body. No person shall speak more than one time during a meeting. The Chairman or a majority of public body members present may extend the limitation of time or grant additional time to individual speakers. The Chairman’s denial of or limitation on any request for an extension of time may be overruled by a majority of those public body members present.
- c. All persons addressing the public body shall maintain decorum and refrain from personal attacks of others. Questions or comments shall be limited to public business. Comments supporting or opposing a person’s candidacy for elected office are precluded.
- d. Any member of the public body may request information from a speaker after a speaker has concluded his or her comments or after the three minute time period has lapsed; however, a speaker shall not be required to provide any such information as a condition for speaking during Public Comment.
- e. Any failure to adhere to the provisions of this section, and any such restriction or limitation upon any speaker, shall not impair or affect any ordinance, resolution, motion or other action of the Board or Commission.

**SECTION TWO:** The Lemont, Illinois Municipal Code (“Village Code”), as amended, is hereby further amended by creating new section 2.08.070 as indicated as follows:

**2.08.070 PUBLIC HEARING.**

- a. Public Hearings are not intended to fulfill the requirements of Public Comment. Public Hearings shall be conducted under separate rules with a separate purpose than Public Comment as outline in this section.
- b. No person shall be permitted to address the public body during a portion of the meeting once a public hearing has been declared open, except as determined by

the Chairman of the Board or Commission that published the notice for public hearing. During a public hearing, the Chairman may require testimony be provided in accordance with requirements of a public hearing and may limit comments to those matters relevant to the subject set forth in the notice of public hearing and any other manner necessary to accomplish the purpose of said public hearing. Witnesses, wishing to avail themselves of a public hearing, may be required to give testimony under oath, state his or her name, state his or her address prior to giving any testimony and be cross-examined and questioned by any member of the public body, any party to the public hearing or any other witness.

**SECTION THREE:**     Publication. That the Village Clerk of the Village of Lemont be and is directed hereby to publish this Ordinance in pamphlet form.

**SECTION FOUR:**     Effective Date. This Ordinance shall be in full force and effect from its passage, approval and publication as provided by law, and shall be applicable at all meetings held on or after the passage of this Ordinance.

**PASSED AND APPROVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF LEMONT, COUNTIES OF COOK, WILL, AND DUPAGE, ILLINOIS,** on this \_\_\_\_ day of \_\_\_\_\_, 2014.

**PRESIDENT AND VILLAGE BOARD MEMBERS:**

	AYES:	NAYS:	ABSENT:	ABSTAIN
<b>Debby Blatzer</b>				
<b>Paul Chialdikas</b>	_____	_____	_____	_____
<b>Clifford Miklos</b>	_____	_____	_____	_____
<b>Ron Stapleton</b>	_____	_____	_____	_____
<b>Rick Sniegowski</b>	_____	_____	_____	_____
<b>Jeanette Virgilio</b>	_____	_____	_____	_____

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**BRIAN K. REAVES**  
President

ATTEST:

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**CHARLENE M. SMOLLEN**  
Village Clerk



Village of Lemont  
*Planning & Economic Development Department*

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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: Route 83 & Main Gateway Redevelopment Site – Consultant Selection

DATE: October 15, 2014

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**SUMMARY**

At the July COW, the Committee directed staff to further pursue a government development / public finance consultant to assist the Village in securing a timely and successful redevelopment of the Gateway site. As noted in July, the chosen consultant would help the Village determine the market-feasible real estate products for the site. Based on the Village's feedback regarding which market-feasible use(s) we wish to pursue for the site, the firm would conduct a financial analysis of the site's potential development scenario(s) to help the Village understand the implications of the preferred scenario(s) on land sale price, incentives, taxes, etc. The consultant would then market the site through a RFQ and RFP process, using their contacts in the development community. Once redevelopment proposals are received, the firm would assist the Village in reviewing the proposals, including an analysis of the developers' capacity to execute the project and any incentive requests contained within any of the proposals. The consultant would ultimately recommend a preferred developer to the Village and then assist in negotiations as needed.

Trustees Chialdikas and Sniegowski and staff have focused our efforts on two potential consultants – SB Friedman Development Advisors and Gruen Gruen + Associates. Both firms are qualified to execute this work for the Village and have received positive references from current and past clients. Both firms have submitted full proposals, which are attached to this report. Each firm has its own approach to the project and these differences are detailed in the full proposals. A summary of the two proposals is provided on the next page.

GATEWAY TIF SITE SCOPE OF WORK	CONSULTANT	
	SB Friedman	Gruen + Associates
<b>TASK 1: MARKET &amp; SITE ANALYSIS</b>		
<b>Preliminary Site Background Work</b> <i>project initiation and familiarizing consultant with site and area, including issues related to traffic, right of way, access, topography, zoning, etc.</i>	Y	Y
<b>Market Analysis</b> <i>Evaluation of potential market for one or more land uses on the site.</i>	Y	Y
<b>Engineering Analysis</b> <i>Review of Engineering Issues related to the site and its potential buildout</i>	Y	N
<b>Site Capacity Plan</b> <i>Development of site plan(s) based on site specific engineering, zoning, and other land development considerations.</i>	Y	N
<b>Financial / Real Estate Analysis</b> <i>A proforma for the development of the property given one or more selected redevelopment scenarios. This analysis will result in an estimate of the value of the Gateway TIF land under a given redevelopment scenario(s).</i>	Y (includes analysis of 2 different build-out scenarios)	Y (includes analysis of 1 land use scenario)
<b>Implementation Recommendations</b> (phasing, zoning changes, offsite-improvements, further land assembly, etc.)	Y	Y
<b>Illustration / Visualization of Preferred Redevelopment</b>	Y	N
<b>EST. COST FOR MARKET &amp; SITE ANALYSIS DELIVERABLES</b>	\$137,840	\$97,040
<b>TASK 2: DEVELOPER SOLICITATION</b>		
<b>RFQ and/or RFP</b> <i>The development of an RFQ and/or RFP and follow up solicitation of developers to respond to the RFQ/RFP.</i>	Y (2 step, RFQ then RFP)	Y (one step - RFP)
<b>Review RFP Responses &amp; Recommend Preferred Developer</b>	Y	Y
<b>Negotiation Assistance</b>	Additional Cost	Additional Cost
<b>EST. COST FOR DEVELOPER SOLICITATION DELIVERABLES</b>	\$59,760	\$40,000 - \$60,000
<b>EXPENSES</b>	\$1,976	\$960
<b>SCOPE OF WORK - TOTAL ESTIMATED COST</b>	<b>\$199,576</b>	<b>\$150,080</b>
<b>SCOPE OF WORK - TOTAL ESTIMATED HOURS</b>	<b>1,056</b> <i>plus unspecified # hours spent by sub contractors</i>	<b>761</b>

*Note: Additional costs for both consultants may include further market research beyond what was quoted in proposals, developer negotiation support, additional meetings, etc.*



The Committee will note that the Gruen proposal's overall budget estimate is approximately \$50,000 less than SB Friedman. Staff considers this price difference to be primarily reflective of two factors. First, SB Friedman's proposal includes the development of two conceptual site plans and an illustration of the desired redevelopment product while Gruen's does not. Second, SB Friedman is estimating the project to be a total of 1,056 hours (not including the hours of one of Friedman's subcontractors, which is not specified in the proposal). Gruen is estimating the project to be a total of 761 hours, 295 hours less than Friedman. The hourly rate for both firms is nearly identical, with the exception that SB Friedman's SB Friedman's hourly rates for its President or Practice Leader are substantially higher. However, Friedman's proposal does not include any involvement by the President or Practice Leader.

Staff has additional information regarding each consultant, including examples of their past work, articles written by their principals, and references. These materials are not attached to this report, but are available upon request.

### **BOARD ACTION**

Please discuss and provide staff with the Committee's preferred consultant.

### **ATTACHMENTS**

1. Gruen Proposal – *Note: some pages have been removed by staff to streamline the document; detailed budget on last page.*
2. SB Friedman Proposal – *Note: detailed budget on p.10*

**QUALIFICATIONS AND PROPOSAL  
TO PROVIDE REAL ESTATE PRE-DEVELOPMENT PROGRAMMING AND  
SOLICITATION AND EVALUATION/SELECTION ASSISTANCE FOR DISPOSITION  
AND DEVELOPMENT OF ROUTE 83 & MAIN GATEWAY REDEVELOPMENT SITE**

**To**

**VILLAGE OF LEMONT**

**From**

**GRUEN GRUEN + ASSOCIATES**  
*Urban Economists, Market Strategists,  
Land Use/Public Policy Analysts and Pre-Development Advisors*

October 3, 2014

APPLYING KNOWLEDGE  
CREATING RESULTS  
ADDING VALUE

**Helping clients obtain maximum benefit from real estate since 1970**



Ms. Charity Jones  
October 3, 2014

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October 3, 2014

Via Email: [cjones@lemont.il.us](mailto:cjones@lemont.il.us)

Ms. Charity Jones  
Planning and Economic Development Director  
Village of Lemont  
418 Main Street  
Lemont, Illinois 60439

RE: Qualifications and Proposal

Dear Ms. Jones:

Gruen Gruen + Associates (“GG+A”) enthusiastically submits this statement of qualifications and proposal to prepare and implement a value-enhancing strategic action plan for the disposition and development of the Route 83 & Main Gateway Redevelopment Site. Our focus will be to work with you to position the property and market it so it is developed to maximize its value - both in dollars and community benefits.

“Action” is the key word in our definition of the term strategic action development plan, although a critically important element of the plan will be a development program (or programs) for the use of the property. Market opportunities found to apply to the site and the financial feasibility of serving those demands will guide the development program and strategic planning and subsequent solicitation process. We will identify a sequence of actions that will allow the Village to sell the land to developers or users which will carry forward creative use programs that support the highest land value obtainable, given (1) market and real estate economic realities, (2) physical conditions, and the (3) the priorities of the community.

Potential development programs will be based on forecasts of future regional real estate market conditions, as they are likely to affect the type and scale of local development opportunities and rents and prices of differing land uses. We will conduct a residual land value analysis of those uses that can be developed on the property given cost estimates for the construction of the uses and the infrastructure required to support those uses.

In the process of identifying when, where, and how to make the best use of the property, we will also gain the insights needed to identify the strategic actions to galvanize interest from uses and developers for the property in the solicitation phase.

The developer/user targets of marketing, selection and negotiation actions should be tailored to the specifics of the use programs identified as most likely to support the maximum land values and generate positive spillovers to adjoining property. Both to avoid conflicts and more importantly to maximize the potential targets for subsequent land marketing efforts, we have not asked a developer to join us. We do, however, suggest the option of conducting focus group panels of developers and users as a preview of the plan to get both critical input and to spread the word of the opportunity prior to the formal issuance of the solicitation.

GG+A has frequently provided the up-to-date information base and tenanting strategy and other strategic



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**GRUEN GRUEN + ASSOCIATES**  
1121 LAKE COOK ROAD, SUITE A  
DEERFIELD, IL 60015

**TEL (847) 317-0634**  
**FAX (847) 317-0643**  
**MIDWEST@GGASSOC.COM**

direction for implementing and monitoring retail development and retail base retention, expansion and expansion programs and policies. We have considerable experience with developer and user outreach and test marketing and the implementation of solicitation programs that have led to on-the-ground business attraction and development of retail, office, industrial, hotel and mixed-use projects across the country.

The information required to make realistic and beneficial decisions about the retailing future includes a solid forecast of potential demand opportunities and appropriate business targets. Accordingly, some of the examples of past assignments summarized appended to the proposal describe market research focused on estimating the amount of purchasing power or retail expenditure potential the current and likely future households have within the relevant market areas and converting the estimated demand potential into estimates of the amount of supportable on-the-ground retail space in each area and comparing these demand estimates to the identified supply of competing retail space. Other examples of past assignments provided relate to the evaluation and programming of the scale, type and mix of commercial uses at specific sites or areas within communities. Examples are also provided of analyzing the real estate economics or feasibility of developments programmed to respond to market demands as well as retail recruitment and development and tenancing strategy and implementation.

We are proud of many client success stories that have resulted from market and real estate economic analysis, strategic development planning, marketing and solicitation and implementation assignments to which we have led and contributed. Examples of “on-the-ground” results from GG+A’s work include:

- New Crate & Barrel retail store in Northbrook Court, a regional mall in Northbrook, Illinois;
- The mixed-use Algonquin Business Park in Algonquin, Illinois;
- New shopping centers and redevelopment of shopping centers, stores, restaurants and automotive dealerships in Algonquin, Clarendon Hills, Downers Grove, Hinsdale, Naperville, Northbrook, Northfield, Schiller Park, South Elgin, and Zion (IL);
- Renovation and revenue-generating tenancing of multiple Metra and Chicago Transit Authority transit stations;
- Brookfield Square Mall/Executive Drive Expansion and Enhancement, Brookfield, Wisconsin;
- 16-screen movie theater, Ann Arbor commercial corridor;
- Western Reserve Building and “The Flats” in Downtown Cleveland;
- Downtown Waterfront Program, Including Nordstrom’s in Scottsdale;
- For Regency Centers, Centerplace of Greeley, Colorado with Target, Kohl’s and Safeway as anchors; and a lifestyle center, The Shops at Highland Village, Highland Village, Texas; and
- Santa Maria Town Center, Santa Maria, California;

The lessons learned and pitfalls to avoid drawn from our experience in helping public sector clients enter into mutually-beneficial public-private partnerships that appropriately allocate risk and returns are described in the attached March 2013 article entitled “Avoiding Pitfalls of Public-Private Partnerships” from Economic Now (ED NOW) published by the International Economic Development Council. With the proper approach and information base, public-private partnerships can enhance the welfare of both the private sector and the public sector and accomplish goals and objectives that would not be realized without effective partnerships.

Subsequent sections of this submission include in the following order:

- Key outputs of the proposed scope of work; and scope of work; and
- Budget.



Appended to this proposal are the following:

- Profile of Gruen Gruen + Associates;
- Description of capabilities and tools;
- Examples of relevant past experience;
- Staff biographies; and
- Client references.

We have previously provided many examples of past market studies, real estate economic/residual land value analysis, and solicitation offering materials.



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## KEY OUTPUTS OF PRE-SOLICITATION WORK

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The initial key output of the pre-solicitation work will be "concept testing" in nature. We envision conducting market due diligence to characterize the market potential for preferred uses at the site. The market due diligence we propose to complete will identify:

- the competitive advantages and disadvantages that apply to the site;
- the relevant geographic market area within which retail or other preferred uses at the site will compete;
- sources of existing and potential future supply competition for those uses;
- prevailing market trends (absorption, rental rates, occupancy rates, etc.);
- the characteristics of businesses and other space users attracted to or expanding within the market area;
- obtainable building space rents and/or land sale prices;
- the overall scale and timing of potential demand opportunities that the site can be expected to capture; and
- product, amenity, and marketing features and strategies most likely to maximize market penetration.

The key outputs of the reconnaissance will also be drawn upon to improve the specificity of development opportunities, concepts, and formats.

A key second objective is to assess the financial feasibility of development opportunities identified as part of the market due diligence. Based upon estimates of obtainable rents and/or sale prices, absorption rates, and land and vertical development costs, the iterative real estate economic analysis proposed will yield a variety of relevant outputs, including:

- estimates and projections of net operating income and net cash flow associated with different uses and building product types;
- the capitalized or sale value of these uses;
- rates of return (on equity) necessary for private investors/developers to build and operate the hypothesized building products; and, accordingly,
- the residual land value supported by each identified use.

In order to identify a practical, effective, and beneficial development plan and strategy for the development of the property, we understand that the Village team will need to complete the following:

- Evaluation of physical conditions such as infrastructure requirements, and storm water and flood plain issues that bear on potential use options (We assume the Village can provide the needed information on such items);
- Analysis of real estate market conditions and potential demand for potential use options, including estimates of obtainable rents and sales prices and pace of absorption of building space;
- Identification of prototypical development alternatives (and development cost estimates);
- Analysis of the real estate economics and supportable land values of the prototypical development alternatives in order to identify which land uses/real estate products are most likely



- to enhance the land value of the property;
- Identification of implementation program and strategies, including marketing and solicitation components; and
- Presentation of findings and implementation program and strategies.

The results of the market analysis and real estate economic analysis will feed into the consideration and selection of a variety of implementation strategies. Our study will not only evaluate the market-responsive highest and best land use options consistent with civic goals and objectives but also identify development disposition marketing strategies. Therefore, the results of our pre-solicitation work will:

1. Identify one or more land use programs or development options and associated marketing strategies that enhance the value of the land from the perspective of prospective users/developers. More than one set of uses will probably need to be identified so as to evaluate trade-offs in terms of what will be preferred by stakeholders and market conditions and the ability to preserve market responsiveness;
2. Identify the value or revenue-generating potential from alternative land use programs; and
3. Identify a marketing strategy, including timing, parcelization, sale, joint venture or other transaction structures and the targeting of both potential users and investors/developers.



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## SCOPE OF WORK

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### **1: PROJECT INITIATION AND KICK-OFF MEETING**

We will meet with you to review the issues, goals, and objectives of the project, scope of work, and process for accomplishing the work. We will also work with you to identify the major criteria that will discipline the work and select the highest and best use development plan for the property from among the identified and evaluated options. We also would like to tour the site and adjoining area with you and discuss:

- a) Planning considerations, such as existing and future right-of-way and easement restrictions, exposure and visibility, site planning and parcelization factors as well as flood plain, storm water and traffic considerations;
- b) Compatibility with and/or need for modifications to municipal plans, policies, and regulatory requirements;
- c) Perceived depth and strength of the market for preferred land uses envisioned; and
- d) Financial and fiscal return targets of the Village.

As part of the project initiation process, we also expect to review any previous real estate analysis conducted for the property.

### **2: REAL ESTATE MARKET ANALYSIS AND INITIAL DEVELOPER-USER OUTREACH**

#### **A. Prepare Market-Based Retail Space Forecast**

##### **i. Conduct Interviews with Public Officials and Staff, Developers, and Real Estate Brokers to Further Assess Strengths and Weaknesses and Identify Market Areas, Supply Competition, and Market Opportunities and Constraints**

To further test, refine, and augment the hypotheses about the kinds of retail businesses and activities that are most likely to prosper, and the type of development that can potentially be attracted to serve obtainable demands, we will conduct the above captioned interviews. Our interviews will be directed toward identifying: (a) relevant trade areas; (b) locations and characteristics of competing supply options; (c) proposed or planned additions to the supply of retail centers; (d) the make-up, origins, and motivations of existing consumers; and (e) market opportunities for development and tenancing.

##### **ii. Estimate Potential Demand or Expenditure Potential for Retail Space Based on Analysis of Demography and Income Make-Up of Relevant Trade Area Households and Review of Competing Supply**

We will prepare estimates of potential current and future demand or expenditure potential for retail space based on analysis of the demography and income make-up of households within the identified trade area. The demand estimates will also be based on an analysis of the proportion of income of households typically expend on the types of goods and services typically found in retail centers. A range of capture or penetration rates into the potential demand will be made based on the review of supply competition.





**iii. Estimate Amount of On-the-Ground Space Supported by Potential Retail Demand**

Based on the results of our interviews and review of sources such as Urban Land Institute data on per square foot sales for differing types of retail centers, we will estimate the square feet of retail space the identified retail demand could support given alternative assumptions of average sales per square foot of retail space.

**iv. Compare the Relationship Between Demand and Supply to Identify Relative Intensity of Competition for Consumer Expenditures and Likely Scale and Type of Development Opportunities**

We will identify the relationship between estimated existing and forecast supply and demand conditions in order to: (a) describe the relative intensity of competition for consumer expenditures, (b) assess whether potential unmet demand exists and (c) to reach judgments on the nature and extent of opportunities for retail development and tenanting.

For other uses preferred by the Village, we will identify appropriate market research methodologies and conduct market research to identify market opportunities and obtainable prices from the development of the studied uses.

**v. Conduct Outreach to Developers, Brokers, and Retailers/Restaurants**

We will identify a sample of potential retailers and restaurant operators and retail developers and brokers to obtain their feedback on the findings about market conditions and potential development opportunities.

**3: REAL ESTATE ECONOMIC ANALYSIS AND FINANCIAL FEASIBILITY**

On the ground commercial or other tax-revenue generating development will not result unless two tests are met: (1) market demand is sufficient to support the occupants of the commercial retail space; and (2) obtainable rents are high enough to amortize and provide an adequate return on development costs. The tasks outlined above will answer the question does sufficient demand exist to support occupants of commercial space. This task will answer the question can demand be served at prices that will support viable development and operations.

GG+A will utilize its real estate investment analysis program REALISM™ to estimate the land value that would be supported by each of the development options. REALISM™ is a comprehensive and flexible computer program that facilitates the postulation and synthesis of the relevant economic aspects of a development option into cash flow forecasts. For each development scenario, the estimated acquisition, financing, administrative, and marketing costs and hard and soft costs of development will be considered along with annual operating costs, income-producing rents or sales prices and forecasted absorption factors to synthesize the real estate economics of each development option into cash flow forecasts and estimates of market and residual land values.

A particularly relevant and useful REALISM™ capability is it calculates the acquisition value or land residual of a property given the cash flows that results from a given set of forecasts and stipulation of the financial terms likely to be typical of would-be buyers/developers. The financial analysis will include testing the sensitivity of returns, land values and cash flows to variances in financing and operating performance. GG+A will identify the supportable land value and therefore relative feasibility of



alternative development options.

#### **4: PREFERRED DEVELOPMENT, MARKETING STRATEGY AND PRIVATE DEVELOPER SOLICITATION**

##### **A: Synthesize Planning, Market and Investment Analysis to Identify Preferred Development and Marketing Strategy**

We will work with you and other Village representatives to synthesize the engineering/site analysis market analysis, and investment analysis to identify preferred development options and marketing strategies. The advantages and disadvantages of alternative development implementation and marketing strategies will be identified. There may be trade-offs between decisions about the kind of development and the timing of regulatory and marketing steps to be taken. Therefore, we will identify the likely risks and rewards of alternative development options and their implications for public policy and marketing strategies. Issues such as which parcels to market at various times and the advisability of issuing "Requests for Proposals" to various target user and developer/investor markets will also be reviewed (this could be done by likely segments for developer/investors for portions of the property entitled for uses that are most likely to be developed as separate components).

While consensus may be reached on a disposition strategy, we will likely recommend more than one development scenario because of market, financial, or political perspectives. In the past GG+A has found that obtaining the most dollars and community benefits for the sale or other disposition of a site is rarely achieved by insisting that development conform exactly to a pre-conceived plan. Instead, we have found that if a floor of value is established by demonstrating feasibility and identifying highest and best uses for the site, this leaves open the potential for further value enhancement by the buyer/user/developer, and the number of bidders and what they will conceive in terms of further value enhancements is maximized.

##### **B: Focus Group Workshop with Developers, Real Estate Brokers and Users**

To solicit recommendations for refinement or modification prior to final documentation of the recommended development plan and strategy and to expose the property and the goals and objectives of the redevelopment as an initial element of the marketing strategy, we will hold a focus group workshop with highly-qualified and potentially-interested development professionals.

##### **C: Finalize Development Plan, Report, and Solicitation Strategy**

Based on input from the preceding tasks, we will refine the development alternatives and implementation and marketing strategies and prepare a final report that draws on working memoranda prepared at the conclusion of each principal task.

A developer/user solicitation program will be recommended and the materials prepared in the course of the study that would be useful marketing aids will be identified. The solicitation will build on the exposure given to the developer/user/investor community by the focus group sessions and interviews in order to attract qualified bidders in a competitive bid process; and a set of criteria to use in the selection of a buyer/developer(s) or other participants. In addition, we will identify the appropriate selection process to dispose of the property and outline the values and development guarantees to be specified in competitive bid strategies and the conditions to be negotiated if the disposition strategy calls for negotiation after a winning bidder has been qualified.



**D. Solicitation Document Preparation, Negotiation of Business Agreement and Technical Assistance With Development and Purchase and Sale Agreements**

The solicitation task will include services to implement the property disposition marketing program based on the results and decisions made in the pre-solicitation phase. The specific work items include:

- 1) Prepare marketing and due diligence materials for solicitation package including supplemental technical information package containing market and other information that assists prospective developers and users and their financing sources with their due diligence;
- 2) Prepare offering solicitation (e.g. Request for Proposals (RFP));
- 3) Identify and implement developer / user solicitation approach including contacting developers, brokers, institutional users, etc.; and
- 4) Prepare design of project web site content; and if warranted and approved prepare content of advertisements in trade publications and other venues;
5. Conduct bidder's conference(s); conduct property tours and respond to inquiries from prospective respondents; and
6. Review proposals and prepare a report that evaluates all proposals and recommends one or more potential buyers / developers / users. Criteria will include the price and participation offered; the time expected to satisfy all conditions of closing escrow; the likelihood of receiving land use approvals; the advantages and disadvantages and risks associated with the proposals.
7. GG+A will also provide technical assistance to the Village for negotiating business terms and conditions related to proposed disposition of and development of the Property by the selected developer(s).

GG+A will be available to provide technical assistance to the Village and its legal counsel for negotiating and preparing development agreements and purchase and sale agreements related to the proposed disposition and development of the Property by selected private sector developer(s).



## **BUDGET AND DURATION**

Our charges for professional services are based upon the actual time devoted to your project by our staff. Expenses such as for travel, communication, and report production will be invoiced at their cost to us.

The standard rates for the GG+A personnel assigned to the project are as follows:

<b>Staff Person</b>	<b>Standard Hourly Rate</b>
Aaron N. Gruen, Principal	\$240
Debra J. Jeans, Principal	\$240
Andrew Ratchford, Senior Analyst	\$140
Research Assistants	\$65-85

Expenses such as for travel, communication and report reproduction will be invoiced at their cost to us. Invoices will be submitted on a monthly basis and are payable upon receipt.

As detailed in the budget table showing estimate of hours and fees by staff person and tasks, we ask that the Village of Lemont authorize a budget not to exceed \$98,000 without prior approval in writing for Tasks 1 through 4C. It is difficult to estimate the cost of Task 4D which will depend in part on the results and decisions from the prior tasks, the number and complexity of proposals made, and the nature of the further negotiation of business terms and documentation support needed. Based on our understanding of the situation from prior discussions with you and prior experience we estimate a budget of \$40,000 to \$60,000. We will be in the position to refine this estimate prior to starting the solicitation phase.

We are prepared to start work within one week of receipt of approval to proceed and will exercise reasonable efforts to complete the market study, real estate economic analysis, and development and disposition marketing strategy and initial developer/user outreach and test marketing within three months. We estimate the formal solicitation and evaluation//negotiation/selection process can be completed within six months.

## **GENERAL PROVISIONS**

Our agreement may be terminated on fifteen (15) days' written notice by either party or such lesser time as we may find necessary to conclude the work currently underway and summarize our findings to you.

We agree that any confidential information we may develop or have furnished to us by you during the work will be safeguarded in accordance with our established professional standards.

## **LIABILITY FOR COSTS AND DAMAGES**

Gruen Gruen + Associates shall not be liable for any costs or damages resulting from the use of any information, data projections, analyses, recommendations, methods, or any other material resulting from our work in any amount that exceeds \$25,000, or the fees and costs actually paid pursuant to this engagement, whichever is less. Nor shall Gruen Gruen + Associates be liable for costs or damages to any project due to judicial or administrative action, whether or not such action is based on the form or content of our report. Any services required by any party in any litigation or related to this report shall be paid for by the party requesting such services at current consulting rates.



Ms. Charity Jones  
October 3, 2014

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We look forward to the possibility of collaborating with you to evaluate and program the use of the land and create and implement a strategic action development and solicitation plan that is an effective guide to creating and produces a sustainable legacy development about which the Village can be proud and delighted.

Very truly yours,



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Aaron N. Gruen  
Principal  
T: (847) 317-0634  
E: agruen@ggassoc.com



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# GRUEN GRUEN + ASSOCIATES

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*Applying Knowledge, Creating Results, Adding Value*  
1121 Lake Cook Road, Suite A, Deerfield, IL 60015  
Telephone: 847-317-0634 | Fax: 847-317-0643  
[www.ggassoc.com](http://www.ggassoc.com)

**Date Founded:** February 14, 1970

**Primary Areas of Specialization:** Disposition and Development Strategic Planning and Marketing  
Financial Feasibility/Investment Analysis  
Demographic and Economic Analysis  
Market Research  
Behavioral/ Survey Research  
Fiscal and Economic Impact Analysis

**Results of Areas of Specialization:** Business Retention, Expansion and Attraction  
Shopping Center Development and Redevelopment  
Downtown Development and Redevelopment  
Comprehensive and Specific Plans  
Housing Policy and Housing Development  
Capital Facilities Financing  
Transit-Oriented Development  
Waterfront Development  
Recreation and Tourism  
Hotel Development  
Brownfield Development  
Economic Development  
Industrial Development  
Business Park Development  
Office Development

**Key Analysts:** Aaron N. Gruen, Esq., Principal  
Debra L. Jeans, Principal  
Claude Gruen, Ph.D., Principal Economist  
Nina J. Gruen, Principal Sociologist  
Andrew Ratchford, Senior Analyst  
Geoffey Hewings, Ph.D., Professor of Economics, Geography and Planning,  
University of Illinois, Consulting Economist



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# GRUEN GRUEN + ASSOCIATES'

## CAPABILITIES AND TOOLS

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“Location, location, location” won’t take you far in the value-adding process. Today, the best locations are created, not found. The highest returns go to those who can “package” a location with the mix of uses, product features, amenities, social ambiance, management techniques, and financing that the market demands and at a price it will pay. As market requirements vary, so does the knowledge needed to assemble a high-return real estate package. GG+A has developed a set of analytic tools which we custom bundle for each assignment. The skills, methodologies, and conceptual understandings that make up these tools have been constantly refined and reinvented since GG+A’s founding in 1970. These tools include:

### **Market Research That Gets Answers**

GG+A has developed behavioral concepts about consumer motivations and matched them to an array of analytic methods, creating an arsenal of powerful consumer research tools. This enables GG+A to extract the most relevant information from an exploding base of computer-accessible demographic, socio-economic, and real estate data. Expertise in a broad variety of survey and interview techniques enables GG+A to conduct or supervise cost-effective field research. We synthesize information from market research into on-target demand forecasts.

### **Real Estate Economics That Produces Insight**

GG+A has developed a series of conceptual models that describe how alternative market conditions influence profitable land use. The success of all real estate projects depends on local supply and demand conditions. Good real estate deals can happen in robust and depressed regional economies — as can bad real estate deals. GG+A’ models enable GG+A to examine the real estate economics that apply to a specific area and then accurately forecast the results of alternative development, public investment, or regulatory actions.

### **Investment Evaluation That Adds Value**

GG+A began developing the real estate cash flow model REALISM™ in 1970. While preserving its proprietary features, we have constantly enhanced and refined REALISM™ through hundreds of development programming, deal-making, and negotiating situations. Today, REALISM™ remains unique and further advances the firm’s ability to conduct comprehensive investment analysis — analysis that points to higher returns and exposes value-deflating risks.

### **Real Estate Asset Management & Implementation**

The market analysts and real estate economists of Gruen Gruen + Associates have extensive experience identifying and evaluating the net revenue and costs likely to flow over time from alternative land and real property options. We frequently apply these skills to work with land owners, developers and space users to identify asset management and occupancy programs and implement real estate decisions that maximize returns from real estate assets and minimize net occupancy costs. We often apply these skills to public and nonprofit entities such as transit agencies, school districts, local, county, and state governments, airports and museums, universities, and hospitals, motivated to generate the greatest revenue potential from their real estate assets while simultaneously minimizing the net cost of facilities they need to serve their public purpose. GG+A works closely with public and nonprofit clients to evaluate, structure, negotiate and implement plans and transactions to create and maximize value from



their land and real estate holdings.

### **Land Value Enhancement & Disposition**

Since its founding in 1970 Gruen Gruen + Associates has worked with land owners and public entities that regulate land use to identify market responsive plans that maximize land values and private and public returns from development and redevelopment. The market research and real estate financial analysis Gruen Gruen + Associates conducts results in land use plans and development programs in which the whole of the development guided by the plans equals more than the sum of the individual parts. Our pre-development services for land owners go beyond identifying the general plan and uses of land value maximizing plans. We position the land and help effectively market it to the developers, builders, or users whose unique capabilities can best implement the land value maximizing identified development.

Market research, financial analysis, and studies of the real estate economic conditions within relevant market areas have frequently been combined to assist cities to make and implement decisions about planning, redevelopment, and policies to enhance and revitalize existing retailing areas and program new retail, office, residential, hotel, and mixed-use developments. Survey research, focus panels, and demographic analysis have been frequently used by GG+A teams identifying retenanting, modernization, and other strategic actions to improve the competitive strength of downtowns and regional, specialty, and community shopping areas. Examples include the Downtown Scottsdale waterfront program/new Nordstrom's in Scottsdale (AZ); the San Francisco Centre vertical mall in San Francisco (CA); Regency Centers' Shops at Highland Village development in Highland Village (TX); the Briargate Town Center in Colorado Springs (CO); Third Street Properties in Naples (FL); Settler's Landing in Downtown Cleveland (OH); and the multiple award-winning Rivermark Village in Silicon Valley.

We have learned that each community has its own economic and social culture so that what works well for one community cannot be used as a template for others that differ in their histories and social geographies. We have also learned that success depends upon knowing the right questions to ask and having the expertise to know which tools and techniques are most cost-effective in obtaining answers.

We also believe that our clients obtain the best value from the realistic and implementable action plans and transactions we produce, rather than four-color reports that are not grounded in economic and market realities. The examples of prior assignments describe GG+A's expertise in conducting *realistic* market demand forecasts and evaluations. If a market analysis is unable to be translated into improved decision-making and implementation actions, including giving developers and their financing sources a leg-up on their due diligence, it will be merely consigned to a dust-covered shelf when the objective should be viable on-the-ground- projects or other actions.





## COMPUTER-AIDED ANALYSIS

### Real Estate Analysis Land Investment Simulation Model (REALISM™)

REALISM™, a proprietary GG+A program, is probably the most sophisticated and flexible real estate cash flow simulation model in use today. Able to accept separate financial parameters for up to 40 components of a single or mixed-use development project, REALISM™ produces year-by-year projections of rental income, sales profits, interest payments, taxes, depreciation and the net cash flow. The model also produces estimates of the total take-out that would result from the sale of the project in every year of operation, based on the estimated market value of the project, book value, recaptured excess depreciation, capital gains tax and the principal due on all mortgages.

For each year of the project's operation, REALISM™ calculates non-time-discounted measures of return including the ratio of operating income to total investment and the cash-on-cash (or net cash flow to equity) ratio. As time-related measures of return, REALISM™ calculates the internal rate of return (IRR), the net present value of the cumulative cash flow and the value of the reinvested return. The debt coverage ratio is calculated on a yearly basis as well. The model is designed to facilitate multiple comparisons of alternative development schemes.

REALISM™ is particularly useful for calculating the supportable residual land value given a target internal rate of return for alternative development projects. Specifically, the model may be used to estimate the net revenue surplus attributable to a development use given a target internal rate of return for the project. If the net revenue surplus forecasts are positive, then it is clear that the proposed development can pay for the associated development costs. Furthermore, a comparison of net revenue surplus with the capital and infrastructure costs associated with the project sheds light on the issue of whether the proposed development can support these capital costs either with payments by the developer or with the use of an assessment or redevelopment district. If the capital costs exceed the net revenue surplus, then appropriate phasing of the project may be called for so that the infrastructure requirements can be paid for.

### NET™ - Testing the Contribution to Profit of a Single Land Use Component

The NET™ program assists GG+A analysts in formulating quick initial assessments of the contribution of each type of land use to the profitability of a given real estate venture. The strength of the NET™ program may be viewed in its ability to identify the impacts of various development specifications and/or requirements as well as its

### REALISM Application Example

*Client: State of California, Department of General Services*

*Location: San Diego, CA*

*GG+A was asked to provide analysis and negotiation support for the redevelopment and ground lease of a 6-acre site in the Hillcrest neighborhood of San Diego, which was occupied by a Department of Motor Vehicles facility. The redevelopment concept entailed densification of the site to accommodate both a new DMV facility and a market rate 6-story multi-family apartment development. The goal was to generate enough proceeds from the ground lease of a portion of the 6-acre site to fund the construction of a new state-of-the-art DMV facility.*

*The capabilities of GG+A's REALISM model were relied upon extensively to estimate the land value, and therefor amount of ground rent, supported by private development on surplus portions of the site. Multiple development scenarios, with differing building heights, densities, and parking configurations were simulated using REALISM in order to quantify the effect of programmatic changes on the ability of the private partner to pay ground rent. This analysis and simulation process was used to identify the funding ramifications of each development scenario. The final development agreement identified a program that would allow the private developer to fund all DMV construction costs, estimated to exceed \$12 million, in exchange for "free ground rent" for 65 years on a portion of the existing state-owned site.*



ability to provide a basis for which developers can negotiate construction and financing terms.

### **Capital Facilities Model**

The GG+A Capital Facilities model has proven to be a very useful tool to estimate the most appropriate way to finance the capital improvement costs required for new development. Capital projects are often very costly, and the greatest hurdle encountered is identifying strategies to finance those improvements required at the beginning of the development cycle. The Capital Facilities model considers three primary financing sources (bonds, fees and developer loans/reimbursement agreements) and identifies which financing mechanisms are most appropriate for a particular project and how the financing should be structured. Specifically, the model considers proposed development, likely absorption rates, estimated market and assessed values and sustainable fees. Annual cashflow projections are then made to assess supportable levels of alternative capital financing tools. The model is particularly useful for conducting sensitivity analyses to identify potential cash shortfalls under alternative capital financing scenarios and how those shortfalls can be mitigated.

### **SPACEWALK™**

SPACEWALK™ is a Gruen Gruen + Associates (GG+A) proprietary three-dimensional spreadsheet-based computer model used to estimate the demand for nonresidential development in a region based on changes in employment by sector. Projections of employment change are converted into projections of demand for office, manufacturing, warehouse and retail space based on the space use characteristics of occupational groups within economic sectors. The final step in the determination of space demand from employment projections is the multiplication of the number of workers expected to occupy space by the number of square feet of space needed to accommodate each worker.





September 18, 2014

Ms. Charity Jones, AICP  
Planning and Economic Development Director  
Village of Lemont  
418 Main Street  
Lemont, IL 60439

Dear Ms. Jones:

*SB Friedman Development Advisors* (“*SB Friedman*”), along with our teammates, The Lakota Group (“*Lakota*”) and Sam Schwartz Engineering (“*SSE*”), is pleased to present this engagement letter to assist the Village of Lemont in facilitating redevelopment of the largely Village-owned land located at the northwest corner of Archer Avenue and Main Street (the “*Site*”). In this letter, we outline our proposed scope of services, timeframe, and fees.

## Background and Understanding

The Site is currently comprised of a mix of industrial and auto-oriented commercial uses, and is a key gateway to the Village. For several years, the Village has been interested in improving the appearance of the area and increasing the tax base through high-quality redevelopment. During the recession, the Village was able to acquire approximately 17 acres of land in the Site. In addition to the land currently under Village control, some adjacent parcels may be considered for acquisition to perfect the Site, should they be required to optimize development outcomes. Also, in 2009, the Village created a Tax Increment Financing (“*TIF*”) district to help support redevelopment efforts.

As described above, the Village has taken several steps to facilitate redevelopment at the Site, and is now interested in marketing the Site. The Site is located near the Argonne National Laboratory, the Sagawau Environmental Learning Center, Cal-Sag Trail, Cog Hill Country Club, and other golf courses and outdoor amenities. The Village has made preliminary indications of being amenable to a variety of land uses at the Site, including: retail, office, hospitality, designation entertainment, and attached housing, that would play off of key Site and locational assets, enhance the gateway aspect of the Site, increase the tax base, and provide amenities for residents, visitors and businesses.

## Our Approach

In order to effectively market the Site, we recommend that the Village proceed in a two-step process:

### **STEP 1: SITE CAPACITY ANALYSIS AND PLAN**

- Determine the physical capacity of the Site and whether additional land will need to be brought under control in order to achieve an optimal development outcome;
- Determine likely market-feasible real estate products at the Site;

- Develop two Preliminary Site Capacity Studies;
- Conduct financial analyses of development costs and revenues for two Preliminary Site Capacity Studies to get a sense of the value of the land; and
- Determine a Preferred Site Capacity Plan.

The key benefit of conducting this process is that it will provide clarity to the development community regarding the desires of the Village and the likely development potential (both in terms of use and building square feet). The financial analyses will help the Village arrive at a Preferred Concept based, in part, on the financial potential of the two Preliminary Site Concept Plans.

## **STEP 2: DEVELOPER SOLICITATION**

Market the Site to the private development community in a two-step Request for Qualifications/Request for Proposals process and recommend a preferred developer(s). This two-step approach is recommended because it allows a maximum number of interested parties to enter the discussion with limited up-front costs (qualifications only). The process also eliminates unqualified firms early on to avoid wasting valuable Board, staff and consultant time.

For the process outlined in Step 1, *SB Friedman* will lead the interdisciplinary team (“Consultant Team”) that includes The Lakota Group, for site capacity and physical planning, and Sam Schwartz Engineering, for traffic and non-motorized transportation engineering. If particularly in-depth specialized market research is required, we would also work with hospitality and destination entertainment market analysis specialists.

Please note that *SB Friedman's* president, Stephen B. Friedman, FAICP, CRE, is a licensed real estate broker in Illinois, and the firm is an MSRB (Municipal Securities Rulemaking Board)-registered municipal advisor. Thus, we can assist with both a land sale transaction as well as evaluation of potential municipal financial support for projects going forward, should that need arise.

Our firm has substantial experience supporting the development and implementation of community development plans. We expect to drive this process on behalf of the Village, but to be guided by elected officials and Village staff to ensure that the outcomes are consistent with community goals.

We have outlined a scope of work and corresponding budget and timeframe below, and are happy to revise and refine this scope further, as needed, to meet the Village’s needs.

## Scope of Services

### Step 1 – Site Capacity Analysis and Plan

#### PHASE 1: PROJECT INITIATION/AREA ANALYSIS

In this phase, we will gather and analyze background data in three major areas: market conditions, land conditions and engineering considerations. At the end of this phase, we will conduct a meeting with Village staff to share the background information and validate our understanding of existing conditions and likely market opportunities. Key work steps will include:

- Conduct a project kickoff meeting with Village staff (Meeting #1).
- Perform existing data review (reports, ordinances, regulations, plans, intergovernmental agreements, appraisals, engineering studies such as Phase 1 environmental studies, Illinois Department of Transportation (IDOT) plans for improvements at Archer Avenue and Main Street, information of acquisition costs, background information on the TIF district, and soils studies).
- Conduct a tour of the Site to understand both micro and macro issues that will influence development.
- Conduct the following background research.
  - **Market** – This research will help identify:
    - Potential market opportunities in terms of land uses (e.g., retail, restaurant, office, hospitality, destination entertainment, attached housing (rental apartments and/or condominiums and townhomes)); and
    - Physical requirements for each of these land uses (acreage, building square footages, access, visibility, adjacencies, height, parking).
  - **Land Use** – This research focuses on existing and adjacent land uses and community character conditions (e.g., buildings, signage, gateway features, streetscaping) in the Site and surrounding area.
  - **Transportation Planning** – This research focuses on regulatory requirements, physical infrastructure assets (roads access and trails access), and current usage levels (e.g., traffic counts and capacities) for that infrastructure.
- Prepare existing conditions summary memorandum and meeting presentation.
- Meet with Village staff to share initial findings and gather feedback of preferred land uses and an overall vision for the Site (Meeting #2).
- Refine memorandum based on staff feedback.

#### PHASE 2: PRELIMINARY SITE CAPACITY STUDY DEVELOPMENT

At the conclusion of Phase 1, we expect to have clear direction regarding desirable land uses for the Site and additional guidance regarding technical considerations for the Site Capacity Study. Based on that guidance and any other feedback received, we will work to develop two Preliminary Site Capacity Studies. These plans will likely show two layouts potentially with different products on the Site.

Key work steps will include:

- Develop two Preliminary Site Capacity Studies (these will illustrate land uses, building locations and heights, access points (curb cuts), stormwater detention ponds, truck loading areas, etc.). The goal is to define two potential development outcomes in detailed enough ways to allow for specific feedback from Village staff, and subsequently conduct financial analyses of each Preliminary Site Capacity Study.
- Review two Preliminary Site Capacity Studies with Village staff via conference call and gather feedback.

### PHASE 3: FINANCIAL ANALYSES

At the conclusion of Phase 2, we will have two Preliminary Site Capacity Studies and development programs for the Site.

In Phase 3, we will develop financial projections for both Preliminary Site Studies to help the Village define the Preferred Site Capacity Plan. In addition, this work will give the Village Board and community some understanding of the value of the land under each concept and the costs (if any) that the public sector may be required to bear to achieve the two Preliminary Site Capacity Studies (e.g., land value write-down, TIF assistance).

Our key work steps under Phase 3 will be as follows:

- 1) **Estimate Project Costs.** *SB Friedman* will estimate development costs based on interviews and/or benchmarks, such as RS Means, for the two Preliminary Site Capacity Studies. Specifically, we will estimate:
  - Off-site public way improvements;
  - On-site improvements (demolition, environmental remediation, stormwater detention, underground utilities); and
  - Vertical construction costs, including hard costs, soft costs and financing costs.

For site costs, we will either use high-level unit cost assumptions or, if extraordinary site conditions are identified in Phase 1, we will speak with you about the possibility of engaging specialist firms to estimate costs for an additional fee.
- 2) **Project Revenues.** Based on market research conducted in Phase 1, we will develop projections of:
  - Rents and sales prices;
  - Incremental property taxes; and
  - Sales and other taxes, as applicable.
- 3) **Estimate Residual Land Value.** We will use the cost and revenue projections to construct two preliminary pro formas (one for each Preliminary Site Capacity Study). Any cash above “normal” risk-adjusted profit for the project is the amount of money a developer should be able to pay for land.

- 4) **Estimate Public-Sector Financial Capacity.** Our tax projections will provide an estimate of the public resources that could be available to help pay for extraordinary costs that make the project infeasible solely via private development (if financial need for assistance is identified).
- 5) **Summarize Findings in Memo and Table Format.** Review findings with staff, refine and present to the Village Board (Meeting #3). The Board will provide direction regarding a Preferred Site Capacity Study at this meeting.

At the completion of this work, we will be able to advise the Village on the range of prices that developers should be willing to pay for the land in order to deliver either of the two Preliminary Site Capacity Studies. If there are extraordinary site issues that need to be addressed, we will also know if there is likely to be sufficient incremental property tax revenue to remedy those issues.

#### **PHASE 4: PREFERRED SITE CAPACITY PLAN DEVELOPMENT**

At the conclusion of Phase 3, we are hoping to have feedback from the Village Board to allow us to draft a plan reflecting the preferred future vision for the Site. This should result in creating a single preferred Site Capacity Study, which is a refined version of one of the two Preliminary Site Capacity Studies presented above; other times, it is a mix of elements from more than one of the Preliminary Site Capacity Studies. Key work steps in this phase normally include the following:

- Consultant Team develops a Preliminary Preferred Site Capacity Study and reviews it via conference call with Village staff.
- Present Preferred Site Capacity Study to the Village Board (Meeting #4) and gather feedback.
- Develop Final Preferred Site Capacity Plan including companion documentation. This document will consist of the following components:
  - **Preferred Site Capacity Study.** This will be accompanied by one supporting graphic (e.g., section, massing vignette, or perspective exhibit) to help illustrate key components of the Plan.
  - **Phasing Plan (if appropriate).** Often, a plan must be implemented in phases. We will recommend where to start and how to proceed in a strategic fashion to most efficiently and effectively achieve the goals of the Plan.
  - **Draft Implementation Plan.** The Team will identify key action steps necessary to implement the Preferred Plan. These could include actions by the public and private sectors, such as:
    - Zoning refinement
    - Land assembly
    - Streetscape improvement
    - Offsite traffic improvements
    - Others
- Review draft Preferred Site Capacity Plan (Preferred Site Capacity Study, phasing plan and implementation plan) with staff via conference call, then meet with the Village Board to gather feedback (Meeting #5).
- Refine Plan components, based on Board feedback.



## **Step 2 – Developer Solicitation Process**

- 1) **Draft Request for Qualifications and Proposals Document.** Building on the work conducted in Step 1 above, we will develop a Request for Qualifications/Proposals (RFQ/P) document and project prospectus. We recommend using a combination Request for Qualifications and Proposals format, which delineates a two-step process in which qualifications are reviewed first, and then a shortlist of qualified developers are asked to submit proposals. The RFQ/P includes the due diligence materials and guidelines needed by developers to respond appropriately, including:
  - Project concept and desired components
  - Development and design guidelines
  - Financial/market information
  - Submission requirements for qualifications, review process, and if shortlisted, proposal-stage timeline, qualifications and process
  - Addenda, including:
    - Preferred Site Capacity Plan
    - Engineering considerations and utility availability
    - Environmental assessment
    - Soils studies

We will prepare, write and assemble the document, and review and refine with Village staff. We will present the draft RFQ/P document to the Village Board and refine per their feedback (Meeting #6).

- 2) **Prepare Developer List and Issue Request.** Using our contacts, database of developers, local inquiries, and our relationships developed and maintained through our work with the Urban Land Institute and Counselors of Real Estate, we will compile a list of relevant developers. These may include master developers or product-specific developers active in the Midwest region.
- 3) **Conduct Follow-Ups/Site Visits.** We will conduct follow-up phone calls to help introduce the opportunity to developers. We will work with you to organize site visits and to plan a development tour for out-of-town developers.
- 4) **Review Qualifications and Recommend Shortlist.** We will review the qualifications submissions obtained from this process, including:
  - Experience with similar projects
  - Public-private partnership experience
  - Workload/staffing
  - Financial capacity
  - References
  - Site visits or phone inquiries to other projects

We will prepare a summary matrix and evaluation memorandum of the above qualifications information. Interviews may be held with selected teams (optional task for scope and budget purposes). We will then meet with you to review the qualifications memorandum and present it

to the Village Board so that they can determine the shortlist (Meeting #7).

- 5) **Request and Review Proposals from Shortlist.** We will reach out to the shortlisted firms and request full proposals. We will review the submissions in terms of:
  - Proposed development program and plan
  - Economic feasibility of proposal/absorption expectations
  - Public role/requirements
  - Achievement of goals
  - Economic results to Village
- 6) **Recommend Preferred Developer.** We will synthesize our review of developers' proposals and prepare a memorandum and recommendation, which we will present to the Village Board (Meeting #8).
- 7) **Assist in Negotiations.** Our firm can help negotiate and document business terms, and review and support work of legal counsel in defining the agreements with the selected developer. The negotiation process includes several steps supported by financial analysis and other business review, including:
  - Negotiate business terms, including successful developer's responsibilities and performance requirements;
  - Identify Village responsibilities and performance requirements; and
  - Assist legal counsel in negotiation of agreement.

*Note: The selected developer will usually proceed with detailed design upon completion of a Redevelopment Agreement. Prior design will usually be conceptual unless the Village agrees to reimbursement in the event that an agreement is not reached.*

- 8) **Perform Ongoing Review and Oversight.** As plans are developed in detail and the developer moves to construction, it is important to continue to monitor plan revisions. In addition, the economic terms of the agreements may need to be monitored. We are able to perform this ongoing review.

## Timeline for Completion

A process such as the one outlined in Step 1 generally takes six months to eight months to complete. We will work with you to achieve your timelines for this process.

Step 2 (Developer Solicitation) can take two to three months to arrive at a preferred developer. The time required to negotiate and close on a sale and potential public-private partnership agreement can vary greatly depending on the complexities of the particular transaction.

## Professional Fees

Professional fees for our services will be based on time required at the then-current billing rates of personnel assigned to the project. The nature of this engagement and our experience with similar

services indicate that it is not possible to estimate professional fees with certainty. Estimates have been prepared, however, based on certain assumptions as to time required. These estimates will serve as benchmarks for keeping you informed of our progress and potential costs. We will provide regular detailed billing, which will permit you to make ongoing decisions regarding the use of our services.

Our professional fees and expenses are estimated as follows and detailed in the budget analysis on page 10 of this letter:

**Step 1: Site Capacity Analysis and Plan**

<i>SB Friedman</i> Professional Fees	\$108,300
The Lakota Group Fees	\$22,000
Sam Schwartz Engineering Fees	\$7,560
Civil Engineer Fees	if required, TBD
Hospitality and/or Entertainment Use Market Specialist Fees	if required, TBD

**Step 2: Developer Solicitation (to the point of recommending a developer)**

<i>SB Friedman</i> Professional Fees	\$59,700
Expenses (estimated at 1% of fees)	\$2,000

**TOTAL FEES AND ESTIMATED EXPENSES** **\$199,600**

This budget estimate is based on the following current hourly rates:

President	\$350
Practice Leader	\$300
Senior Project Manager	\$235
Project Manager	\$200
Associate Project Manager	\$175
Associate	\$140
Research Associate	\$120
Intern/Data Entry/Support	\$ 85

Local travel, publications, maps, outside data, use of owned or licensed databases, report reproduction, and other out-of-pocket expenses are included in this estimate and will be billed as incurred without mark-up.

These fee estimates are intended to serve as benchmarks and are subject to upward revision if the engagement entails more time than estimated due to problems that are encountered which could not reasonably have been foreseen at the commencement of the engagement, or if the scope is changed. In this event, we will discuss the matter with you so that a mutually acceptable revision may be made.

If the time spent on this engagement is substantially less than we have estimated, we will bill you a lesser amount. Additional meeting time and additional services, beyond what has been included in the budget, will be billed at the hourly rates outlined above.

Invoices will be rendered monthly as our work progresses, or upon major milestones for services and costs incurred. These invoices will detail the time spent by individual, date and activity. Time is typically

reported in increments of half hours. Travel time in excess of normal commuting time is charged for meetings that occur at the beginning or end of work days. Otherwise, full travel time is charged. Invoices are payable within 30 days.

If at any point the decision is made to discontinue our services, our fee will be based upon the actual time expended and out-of-pocket costs incurred to that date.

Our fees for these services would be eligible for reimbursement with Tax Increment Financing ("TIF") dollars.

The attached "Limitations of Our Engagement" (pages 11-12) apply to this assignment.

**Acceptance Procedures**

Thank you for the opportunity to submit this proposal to assist the Village of Lemont. Please contact Geoff Dickinson at (312) 384-2404 if you have any questions regarding our proposal.

To authorize us to begin this assignment, please sign below and return a copy to us as our authorization to proceed.

Sincerely,

Geoffrey Dickinson, AICP  
Senior Project Manager

Accepted: \_\_\_\_\_

\_\_\_\_\_  
Printed Name Title Date

**DETAILED BUDGET**

		SB Friedman				The Lakota Group		Sam Schwartz Engineering			
		Senior Project Manager	Associate Project Manager	Associate	Total		Total	Principal	PM	Engineer	Total
		\$ 235	\$ 175	\$ 140				\$ 165	\$ 120	\$ 100	
<b>Step 1: Site Capacity Analysis and Plan Development</b>											
<u>PHASE 1 - Project Initiation and Analyses</u>											
Conduct Project Initiation and Kickoff Meeting (Mtg #1)		4	4	Comp	8		0	4			4
Review Prior Studies		2	4	8	14		0	2	2		4
Site Tour		8	8	8	24		0				0
Conduct Background Research					0		0				0
Market Study		16	40	72	128		0				0
Additional Market Rsch (hospitality and/or entertainment)				Scope and Budget TBD if Needed	TBD						
Traffic and Transportation					0		0	4	8		12
Prepare Summary Memo		4	8	24	36		0	2	4	6	12
Meet with Staff (Mtg #2)		4	4	Comp	8		0	4			4
Refine Memo			2	4	6						0
					0						0
<u>PHASE 2 - Preliminary Concept Plan Development</u>											
Develop Preliminary Capacity Studies (2)		4	4	4	12		0				0
Review with Staff via call		2	2	2	6		0	4			4
					0						0
<u>PHASE 3 - Financial Analyses</u>											
Estimate Project Costs		12	16	32	60						0
Project Revenues		4	16	32	52						0
Estimate Residual Land Value		8	16	40	64						0
Estimate Public Sector Financial Capacity		4	16	32	52						0
Summarize Findings/Present to Board (Mtg #4)		8	24	48	80						0
					0						0
<u>PHASE 4: Preferred Concept, Implement, Strategy, Adoption</u>											
Draft Preferred Capacity Study and Review with Staff		4	4	4	12		0				0
Present to Board (Mtg #3)		4	4	Comp	8		0	4			4
Draft Plan Document & Implementation Plan		8	16	32	56		0				0
Review Draft Plan with Staff via call		2	2	2	6		0	4			4
Refine Plan		4	4	4	12		0				0
Present to Village Board and Finalize Plan (Mtg #5)		4	4	Comp	8		0	4			4
					0						0
<b>Subtotal Hours - Step 1</b>		<b>106</b>	<b>198</b>	<b>348</b>	<b>652</b>		<b>-</b>	<b>32</b>	<b>14</b>	<b>6</b>	<b>52</b>
<b>Subtotal Fees- Step 1</b>	<b>\$ 137,840</b>	<b>\$ 24,910</b>	<b>\$ 34,650</b>	<b>\$ 48,720</b>	<b>\$ 108,280</b>		<b>\$ 22,000</b>	<b>\$ 5,280</b>	<b>\$ 1,680</b>	<b>\$ 600</b>	<b>\$ 7,560</b>
<b>Step 2: Developer Solicitation</b>											
Draft RFQ/P (Mtg #6)		16	24	40	80						
Create Developer List		4	8	16	28						
Conduct Follow-Ups/Site Visits		24	24	24	72						
Review Qualifications & Recommend Shortlist (Mtg #7)		8	16	40	64						
Request and Review Proposals		8	16	40	64						
Recommend Preferred Developer (Mtg #8)		12	16	16	44						
Conduct Negotiation Support				Hourly	Hourly						
Perform Ongoing Monitoring				Hourly	Hourly						
<b>Subtotal Hours- Step 3</b>	<b>352</b>	<b>72</b>	<b>104</b>	<b>176</b>	<b>352</b>						
<b>Subtotal Fees- Step 3</b>	<b>\$ 59,760</b>	<b>\$ 16,920</b>	<b>\$ 18,200</b>	<b>\$ 24,640</b>	<b>\$ 59,760</b>						
Total Professional Fees	\$ 197,600										
Expenses (estimate) 1.0%	\$ 1,976										
<b>FEES &amp; EXPENSES FOR DEFINED TASKS</b>	<b>\$ 199,576</b>										

### LIMITATIONS OF OUR ENGAGEMENT

Our reports, memoranda, financial analyses, and other documents (the “documents”) will be based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings during which we will obtain certain information. The sources of information and bases of the estimates and assumptions will be stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the documents to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our documents will be intended solely for your information; for use in attracting developers; and for submission to lending institutions, joint venture partners, and institutional investors, and should not be relied upon by any other person, firm or corporation, or for any other purposes. The documents may not be quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan agreement, or any document intended for use in obtaining funds from individual investors, except as stated below.

Should the Village wish to include or refer to a document in the official statement or other disclosures in support of a bond issue, it may do so by referencing our firm in connection with such information and either by: (a) obtaining our consent, which consent may be subject to the review and updating of information as we may reasonably require and for which additional compensation shall be due to us as provided below; or (b) including an express disclaimer in substantially the following form: “The aforementioned information prepared by *S. B. Friedman & Company* was prepared solely for the benefit of the Village. Neither the Village nor *S. B. Friedman & Company* warrants the accuracy of such information, and no person other than the Village shall be entitled to rely on such information, nor shall any party have any rights or claims against *S. B. Friedman & Company* for any reliance on such information or any liabilities or outcomes resulting therefrom.”

Our documents may include language reasonably restricting the use of the documents by a developer. The Village’s sole responsibility in this regard is that it will not delete such language. That language may include the following:

“Should a developer wish to indicate in an offering memorandum, prospectus or similar document seeking to raise funds from individual investors that our firm prepared market and/or financial feasibility analyses regarding this project, the following statement may be used:

‘In preparing its development plans and projections, the developer (or sponsor) conducted research and analysis, consulted various sources and obtained studies from third parties including *S. B. Friedman & Company*. The information, estimates and projections contained in this prospectus are the conclusions of the developer (or sponsor) after consideration of the various sources noted. The developer (or sponsor) alone is responsible for these conclusions.’

To obtain our permission to include this statement in a prospectus, we must be permitted to review the offering materials, including, without limitation, the identity and backgrounds of all principals, the description of the project, the market and financial projections utilized, and the text of the materials. In no case does this permission include or imply the right of the developer to specifically cite the conclusions or recommendations of our report in such a document.”

We will be compensated by any other third party wishing to cite our findings or use our documents at our standard hourly rates for the time required to conduct appropriate reviews, studies and such other work necessary to update the work resulting from this engagement. No said third party can make such use of our work product without our prior consent.

We acknowledge that upon submission to the Village, the documents may become public documents within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.