# *VILLAGE OF GLENVIEW*
## *ILLINOIS*

# *FINANCIAL POLICY MANUAL*

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Village Manager

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## Table of Contents

***The Village of Glenview would like to recognize past Village President Kerry D. Cummings (2005-2013) for her leadership and contributions in the effort to develop these policies which will serve as an ongoing context for management decisions in the future.***

# I. Financial Policy Overview

These comprehensive financial polices set forth the framework for financial planning and decision-making to preserve, promote, and enhance the fiscal stability in the Village of Glenview. They have been carefully researched, drafted and developed with the combined technical experience of staff and the Village Board of Trustees. The policies include administrative functions some of which include budgeting, capital improvements, debt, investments, and procurement. These financial policies should be periodically reviewed to include changes in the profession, to reflect changes in state statues, to incorporate industry standard best practices, and to review their impact on service quality.

Each policy section begins with purpose and goals followed by fund description and methodology where applicable. Any relevant best practices are then identified. The policy is then described in a manner that separates statutory and village policy requirements. If the policy has an accompanying, detailed procedural document it is so noted for reference.

# II. Budget

## I. PURPOSE

The Village of Glenview, Illinois has developed a Budget Policy to ensure the Village's compliance with the Illinois Municipal Code (65 ILCS 5/8-2-9.1-9.11) specific to the adoption and adherence of a municipal budget. All budgetary procedures of the Village will conform to state regulations and Generally Accepted Accounting Principles (GAAP) for government funds using a modified accrual basis of accounting. Proprietary funds are accounted for using the accrual basis of accounting. In addition to being legally required, adoption and adherence to a budget is a sound tool of financial management.

## II. BUDGET REQUIREMENTS AND ADOPTION

The Village shall have a Budget Officer (currently designated by Village Code to be the Village Manager). The Budget Officer will compile an annual budget which contains reasonable estimated revenues and recommended expenditures for the upcoming fiscal year (Sec. 8-2-9.3). The budget must be balanced, meaning the recommended expenditures do not exceed reasonably estimated revenues and other available funds. The balanced budget must also adhere to the minimum standards set forth in the Village's Fund Balance Policy.

The budget shall contain actual or estimated revenues and expenditures for the two years immediately preceding the fiscal year for which the budget is prepared (Sec. 8-2-9.3). The budget will also show the original and revised budget from the previous year. Additionally, the budget shall illustrate the specific fund from which each anticipated expenditure shall be made and the budget will be adopted at the fund level; that is the level by which actual expenditures cannot exceed the amount budgeted (Sec. 8-2-9.3).

The Village's budget will be developed on an annual basis. The Village's budget will be prepared in a line item format and presented and adopted by appropriation category. The purpose of the format is to clearly outline direct and indirect costs, capital outlay and revenues where appropriate.

Adoption of the annual budget by the Village Board shall be in lieu of an appropriations ordinance. The adoption of the budget will follow the timeline and specifications set forth in the Illinois Municipal Code (Sec. 8-2-9.9). The budget must be adopted before the 1st day of the fiscal year (Sec. 8-2-9.4). The Village's fiscal year begins January 1st and ends December 31st.

**III. BUDGET AMENDMENTS**

As per IL State Statute, the Budget Officer is to ensure that no expenditures are made by the Village except as authorized by the budget (Sec. 8-2-9.2). If however, the budget, as approved by fund, needs revision, the Village Board has the authority to revise the budget by deleting and adding to the budget. No revision of the budget shall be made increasing the budget in the event funds are not available to effectuate the purpose of the revision (Sec. 8-2-9.6). A Budget Amendment is prepared as a Resolution and does not require a public inspection, notice and/or hearing as is required for the original budget.

## A. Capital Projects Budgeting

**I. PURPOSE**

The policy provides for project-length budgeting so that funds would be appropriated once with no requirement for an annual rebudgeting of awarded contract project balances or amounts that cross multiple years. However, if a project should exceed its total expenditure authority, an explanation of the situation and a request for additional funding would be presented to the Board for its consideration.

**II. POLICY**

The Village budgets for capital projects on a project-length basis. The Capital Improvement Program (CIP) is a five-year plan for the acquisition, development and/or improvement of the Village's infrastructure. The Capital Improvement Program is projected for five years and updated annually. Any modifications to increase the budget for a project shall be acted upon by the Village Board. Any project appropriations that are unspent at the end of a fiscal year will be retained for the specific purpose of completing the authorized project. Should funds be available at the close of a project, such unspent funds will be retained in fund balance and may be reprogrammed through the CIP budget process for other capital projects.

To minimize the issuance of debt, the Village will attempt to support capital projects with grants, operating revenues (from its utility funds and Motor Fuel Tax) and excess fund balances (primarily from the Corporate Fund).

## B. Insurance/Risk Fund

**I. PURPOSE**

The Insurance and Risk Fund is a Village Internal Service Fund. The Risk Division accounts for the annual costs incurred for general liability, workers' compensation and property losses for the Village. The Insurance Division accounts for the annual costs for health, life and dental insurance costs. Other Departments and Funds are charged through Charges for Services for their proportional share of these insurance costs.

**II. BUDGET**

The policy is to budget claims at an actuarially-determined 55% confidence level. The Incurred But Not Reported ("IBNR") potential loss is recorded on the balance sheet also at an actuarially-determined 55% confidence level.

# III. Capital Assets

## I. PURPOSE

Governmental Accounting Standards Board (GASB) Statement 34 requires municipal governments to capitalize assets (i.e., land, roads, bridges, water and sewer systems, vehicles, equipment, etc.) and include the financial impact of these capitalized assets in the Government Wide Financial Statements. Once an asset is capitalized, it is depreciated over its useful life. This policy identifies useful lives for the individual asset classes of the Village as well as a threshold for assets that are added to the capital asset records to ensure continued compliance with Statement 34.

## II. CLASSES AND CAPITALIZATION THRESHOLDS

Capital assets are typically defined as all tangible assets including, but not limited to land, improvements to land, rights-of-way, buildings, vehicles, equipment, and infrastructure (including roads, water and sewer mains, sidewalks, bridges, storm sewers, street lighting, etc.) that are used in operations and have initial useful lives extending beyond a fiscal year. In addition, capital assets typically require substantial financial resources to acquire.

Based on this definition of a capital asset, the Village has established classifications and financial thresholds for the tangible assets owned by the Village. By utilizing these classifications and thresholds, the Village has been and will continue to be able to distinguish between those tangible assets that should be reported in the Government Wide Financial Statements in conjunction with Statement 34 and those assets that do not need to be reported. Individual items with costs below these thresholds will be expensed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to an asset are capitalized and depreciated over the estimated useful life of the improvement. The classifications and thresholds for all capital assets of the Village are detailed in Exhibit A to this document.

## III. INTANGIBLES

The Village will account for intangibles in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The most common forms of intangible assets for the Village could be internally generated computer software and easements.

## IV. DETERMINING THE ACQUISTION COST/ VALUE OF CAPITAL ASSETS

GASB Statement 34 requires municipal governments to report the historic or estimated historic cost of acquiring or constructing a capital asset. Purchased assets are valued for accounting purposes at the total of their purchase price and any related costs for transportation, installation, or other direct, identifiable expense involved in procuring the asset and readying it for its intended use.  Costs for training and maintenance and warranty agreements are not considered part of the asset cost and should be expensed.

Constructed building assets are valued at the total amount paid for acquiring or improving the asset including land, labor, materials, engineering design and inspection fees, construction management fees, charges by brokers or others, appraisal fees, site preparation fees, and legal, title, and filing fees.    This also includes the interest incurred during the construction phase of capital assets of business-type activities.  The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The Administrative Services Department will track the capital asset amounts on the capital asset schedules.  The schedules are updated annually and document all additions and deletions to the capital asset records.

**V. DEPRECIATION**

The Village will depreciate the cost of the asset on a straight-line basis over the useful life of the asset.  The useful life is dependent on the type of asset and is detailed by the Class of Assets on Exhibit A to this document.

**VI.   MISCELLANEOUS**

**A.   REHABILITATIONS, RECONSTRUCTION, AND REPAIRS**

When any item of infrastructure is fully re-constructed, the cost of the old asset (if determinable) is removed from the asset records along with its related accumulated depreciation.  Routine repairs and maintenance, such as intermittent pavement repairs and pothole patching, that do not add to the value of the asset or materially extend it's useful life will not be added to the value of the asset but will be expensed.

**B. SALES AND/ OR RETIREMENT OF ASSETS**

When a capital asset is disposed of, sold, or retired, its cost and accumulated depreciation are removed from the books and a gain or loss, if any, is recognized.

An asset is removed from the capital asset records when it is determined that the asset is no longer operable, has been replaced, or is no longer available for use.  Retirement may consist of sale, scrap, or donation of the asset. The Administrative Services Department will work with other departments as property is surplused in order to record these transactions.

**C. RECOGNITION OF CAPITAL ASSETS DONATED OR PROVIDED TO THE VILLAGE**

Some of the assets acquired by the Village are acquired by donation or conveyance. The Village will recognize donated or conveyed assets as belonging to the Village on the date upon which the Village formally accepts the donated/conveyed asset. Once this formal acceptance is complete, the asset will be placed into the appropriate classification according to Exhibit A and the proper procedures to account for that asset will be initiated from that point forward (i.e. annual depreciation, etc.). Donated or conveyed capital assets are recorded at estimated fair market value at the date of donation or conveyance.

**D. CONSTRUCTION IN PROGRESS**

The Village will record construction in progress anytime the project is not yet completed and the final project cost will be recorded as a capital asset. The construction in progress will be reclassified to the appropriate capital asset category when the project is complete and the asset is placed in service.

# IV. Capital Equipment Replacement Fund

## I. PURPOSE

The Village of Glenview, Illinois, has established a Capital Equipment Replacement Fund ("CERF") to account for the funds annually set aside for the timely replacement of vehicles and equipment that meet the guidelines set forth in this policy. Equipment includes computers, printers, copiers, data storage devices, scanners, telecommunications equipment and fleet shop equipment. The Board established a CERF fund balance policy in 2005 that adjusted assets and charges for services based on the implementation of GASB 34. There are no GFOA standards on what a replacement fund balance dollar amount should be or it's cycle. The Board last updated CERF's fund balance policy on August 18, 2009 and an April 1, 2013 review resulted in a status quo recommendation.

## II. CAPITAL EQUIPMENT REPLACEMENT SCHEDULE

The Village will maintain a capital equipment replacement schedule. Outfitted vehicles and equipment classes valued over $5,000 can be included in the schedule. The equipment replacement schedule will be used to derive the annual funding needs for vehicles and equipment. It will also be used to project future replacement dates and costs. The vehicle and equipment replacement schedule will be reviewed and updated on an annual basis.

Vehicle and equipment replacement schedules will be determined by their useful life. The nature and intensity of usage as well as maintenance costs are to be taken into account when determining the useful life. Timely replacement is important for controlling vehicle availability, safety, reliability, and efficiency.

## III. CERF FUND REVENUES AND EXPENSES

Resources will be accumulated in the CERF Fund from the proceeds from the sale of assets, interest income and "charges for services" from each department for their replacement of vehicles and equipment. Vehicles and equipment will be purchased from the CERF Fund and the assets will be appropriately reflected on the Village-wide balance sheet.

Charges for services are calculated amounts based on the projected life of an asset, the anticipated replacement cost of the vehicle/equipment, the anticipated salvage value of equipment and any investment earnings on resources accumulated during the life of the equipment. Charges for services will be budgeted by department. Charges for services will be made against the operating department budget and will then be transferred into the CERF Fund in twelve flat monthly amounts. This process is the same for all Funds. Assets are scheduled to begin to receive a CERF contribution the year after they are purchased.

Once an asset is fully funded, no additional charges will be calculated nor will transfers be made. For purposes of this policy, "fully funded" shall mean that the Life to Date ("LTD") Balance accumulated for the asset is greater than or equal to its' replacement cost.

Annual projections ensure that the Fund will have sufficient resources to replace every piece of equipment on its scheduled due date. The CERF charge policy is based on a 5-year rolling average of vehicle and equipment replacement costs. Using a rolling 5-year average keeps the charges for services somewhat level and relieves any high or low budget demands for capital assets.

**IV. FUND BALANCE**

CERF will maintain a fund balance of 40% accumulated depreciation (or reserves). This amount is sufficient to meet the Village's annual vehicle and equipment replacement needs. The fund balance will be monitored and evaluated on an annual basis to manage operational changes. This approach will keep the fund balance monitored while "smoothing" the annual Charges for Services from other departments and funds. The CERF Fund will be analyzed annually and a recommendation will be made should funding exceed or fall short of the target.

# V. Cost Allocation

## I. PURPOSE AND GOALS

The purpose of the Cost Allocation Policy is to ensure all funds record expenses for goods, services, and personnel in the fund that the activity occurred. There are three methods the Village uses to allocate these expenses: Direct Charges, Transfers and Charges for Services. The direct charge method is the most common and preferred in allocating costs; however, when it is not feasible the transfer method can be used. The charge for service method is used exclusively within the Internal Service Funds. Multiples methods are required to calculate cost of service because the resources used to support one activity may also be used to support other activities. This policy follows the GFOA recommended best practices for pricing internal services.

## II. METHODS

***DIRECT CHARGES***

Direct Charges are expenses related to goods, services and personnel that support Village operations and are charged directly to the appropriate fund at the point the cost is incurred. Goods, services and personnel costs, that are directly charged, are reviewed annually and are adjusted appropriately for the coming year's budget to reflect Village Administrative Goals and department's supporting business plans. The direct charge method is preferred because it shows the resources needed by fund to support Village programs.

***COST ALLOCATION TRANSFERS***

Transfers can allocate costs between funds. Transfers are used when it may not be feasible to anticipate the budget and directly charge a fund. Transfers allocate costs from one fund to another once the actual expense is known.

***CHARGES FOR SERVICES***

Charges for Services is an Internal Service Fund expense related to goods, services and personnel that supports the delivery of services to other departments. Internal Service Funds are funds that are used to account for the Village's cost of delivering services to departments within the Village and other agencies and these funds exclusively use charges for services to account for these services and cost reimbursements. Currently the Village maintains four Internal Service Funds: the Municipal Equipment Repair Fund, the Capital Equipment Replacement Fund, the Insurance and Risk Fund, and the Facilities Repair and Replacement Fund. Charges for services are developed by appropriating the proportional amount from each department/fund/agency to equal their share of the projected expenditure. Various measures are applied to the cost of the good or service to determine the proportional share and are adjusted annually to ensure accuracy.

# VI. Debt

## A. Debt Management

Village of Glenview
Debt Management Policy
Adopted via Resolution 16-122 on August 16, 2016

**Purpose of Policy**
The purpose of this policy is to establish procedures and guidelines for the issuance of all forms of legal debt. The objectives of the policy are as follows:

- The Village shall obtain financing only when necessary.
- The process for identifying the timing and amount of debt or other financing shall be as efficient as possible.
- The most favorable total costs are obtained (i.e., interest and other related costs).
- Maintain future financial flexibility.

**Conditions for Debt Issuance**

**A. Acceptable Purposes and Conditions for use of Debt**
The Village will consider the issuance of debt appropriate in the following circumstances:

1. **Resources are adequate to cover debt service payments –** The source(s) of funds that will be used to pay debt service must be identified prior to the issue. A conservative forecast of these funds should cover payments through maturity.
2. **Bond ratings –** The Village shall take all practical precautions to avoid any financial decision which would negatively impact credit ratings on existing or future debt.
3. **Favorable market conditions exist –** Staff will review market conditions such as interest rates and construction costs to determine if favorable conditions exist for the issuance of debt. Staff will also analyze the timing of debt to take full advantage of Bank Qualified limits available at the time of issuance
4. **Helps distribute costs and benefits of capital debt issuance appropriately –** Provide intergenerational equity by issuing debt for assets that will provide benefit over multiple generations and matching the debt payments over that time period.
5. **Project characteristics –** There are certain projects that by their nature match the use of debt. For example, large one-time investments are typically considered more appropriate than supporting on-going needs. Debt should not be used to cover on-going operational costs.
6. **Minimum useful life –** Long-term debt should only be considered if the useful life of the asset meets or exceeds five years.
7. **Refunding Debt –** The Village will consider refunding debt to realize interest rate savings, restructure the debt service schedule and/or restructure compliance requirements.

**B. Circumstances under which the Village will generally fund projects on a pay-as-you-go basis rather than issuing debt**

1. The projects can be adequately funded from existing fund balances and/or revenues that will become available in the near-term.
2. Project phasing would allow the Village to finance the project with anticipated revenue over a somewhat longer, but reasonable period of time without debt.

**C. Circumstances under which the Village will generally avoid issuing debt**

1. To fund operations and/or routine capital improvements and equipment acquisition, except under exigent circumstances.
2. Proposed debt would have a longer amortization period than the life of the asset or project financed.
3. When additional debt levels could jeopardize the Village's credit ratings.
4. When using the proposed sources of funds to pay debt service could threaten the ability to fund anticipated or known higher-priority projects and/or services.
5. Market conditions are unstable and/or very unusual, raising the possibility of difficulties in marketing the debt and/or selling the debt at interest rates that might be significantly higher than might be achieved by waiting.

**Debt Issuance in General**

**A. Authority and Purposes of the Issuance of Debt**

The constitution and laws of the State of Illinois authorize the issuance of debt by the Village. Under these provisions, the Village may issue debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging and equipping such projects or to refund debt. The Village Board of Trustees is authorized to issue debt for any lawful municipal purpose as authorized by its home rule powers granted by the State of Illinois constitution. Furthermore, as a home rule community, the Village has no statutorily-determined debt limit.

**B. Types of Debt Issued**

1. **Short-Term (five years or less) –** The Village may issue short-term debt which may include, but not be limited to, tax-exempt or taxable loans, notes or other debt types to finance the purchase of non-capital equipment having a life exceeding one year or provide increased flexibility in financing programs.

2. **Long-Term (more than five years) –** The Village may issue long-term debt which may include, but not be limited to, tax-exempt or taxable general obligation bonds, revenue bonds, SSA Bonds, and other debt types (e.g., loans, notes, etc.). The Village may also enter into long-term leases for public facilities, property and equipment with a useful life greater than one year.

**C. Capital Improvement Program -** The Capital Improvement Program (CIP), as approved by the Village Board of Trustees, shall determine the Village's capital needs. The program is updated annually and shall be a five-year plan for the acquisition, development and/or improvement of the Village's assets. Projects included in the CIP shall be prioritized and the means for financing each shall be identified. If the current resources are insufficient to meet the needs identified in the CIP, the Board of Trustees may consider incurring debt to fund the shortfall.

**Financial Limitations**

**A. Statutory Limits on General Obligation Debt -** As a home rule local government entity the Village has no statutorily-determined debt limit.

**Structuring Practices**

A. **Maturity Guidelines -** The Village will:
1. Assure the term of financing (final debt maturity) will not exceed the expected useful life of the project or equipment financed with the debt.
2. Use conservative assumptions in its revenue projections if it plans to pay debt service expenses from a specific revenue source.

**B. Debt Service Schedule –** The Village considers all of the following debt service schedules to be acceptable:
1. Level debt service payments throughout the life of the debt.
2. Timed to cash flows in capital improvement and economic development projects.
3. Increasing moderately each year based on conservative revenue estimates.

**Debt Considerations**

**A. Debt Service Fund –** The Village maintains a separate Corporate Purpose Bonds Fund to manage revenues and payments related to Corporate Fund debt issuance.

**B. Use of Credit Enhancements -** Credit enhancements may be used if the cost of the enhancement will result in a net decrease in borrowing costs or otherwise provide significant benefits that outweigh the cost of the enhancement. Use of credit enhancements would be unlikely should the Village maintain excellent credit ratings consistent with this policy. Examples of credit enhancements are a bank letter of credit and bond insurance.

**C. Use of Redemption Features –** The Village considers all of the following redemption features to be acceptable:

1. Include a call provision of approximately 10 years or less.
2. Offer a call premium that would otherwise not typically be provided if it is deemed to be beneficial to the Village.

**D. Use of Capitalized Interest – The Village considers the following uses of capitalized interest generally acceptable:**

1. For the construction period of revenue-producing projects if it complies with federal regulations.
2. To properly structure debt service payments
3. When the timing of tax collections does not provide funding for initial debt service payments.

**Debt Issuance Process**

**A. Methods of Bond Sale**

1. **Public Competitive Sale –**The Village will generally sell bonds through a competitive bid process. The Village adopts this policy in the belief that:
   a. Competitive sales generally provide the Village the lowest interest rate.
   b. Competitive sales are more transparent because the underwriter is selected solely on objective criteria.

2. **Public Negotiated Sale –** Conditions under which the Village will consider a negotiated sale are as follows:
   a. At the time of issuance, the interest rate environment or economic factors affecting the bond issue are volatile.
   b. The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
   c. The debt issued is bound by a compressed timeline due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.
   d. The structure of the bonds has features such as a pooled bond program, variable rate debt, deferred interest bonds, or other features that may be better suited to negotiated sale.
   e. The structure and/or security of the bond issue are relatively new or unique to the bond market.

3. **Private/Direct Placement -** Private/Direct placement may be advantageous under certain circumstance such as interim financings or when the total debt costs are lower than those in a public offering.

**B. Selection and Use of Professional Service Providers –** The Village shall retain a Financial Municipal Advisor, an Underwriter, and/or Debt Counsel to assist in debt issuance when deemed necessary.

**C. Credit Ratings**

1. The Village shall seek credit ratings for its debt, with the possible exception of instances where ratings are not legally required.
2. The Village shall generally seek ratings from Moody’s, Standard & Poor’s or Fitch.

3. The Village shall issue and manage debt with the intent of maintaining or improving its current credit rating.

**Debt Management Process**

**A. Investment of Bond Proceeds -** The Village will invest bond proceeds consistent with the following:
1. The Glenview Municipal Code
2. The Village's Investment Policy
3. To facilitate compliance with State and Federal laws and regulations
4. To facilitate compliance with the bond ordinance including bond covenants
5. To achieve operational efficiencies

**B. Compliance Practices -** The Village Manager, or their designee, holds responsibility for managing the Village's debt consistent with State and Federal laws and regulations and with the bond ordinance including bond covenants. This shall include issuance of written administrative policies and/or procedures for critical compliance matters such as Federal limitations on arbitrage.

**C. Refunding Debt -** The Village will consider refunding debt to achieve the following objectives:
1. **Interest rate savings -** The Village may refund debt when the Village expects to achieve a significant net present value savings. A target debt service savings is at least three percent (3%) of the refunded principal amount.
2. **Restructure the debt service schedule** - A change in anticipated revenues (particularly the specific revenues supporting the debt) might call for a change in the debt service schedule.
3. **Restructure compliance requirements -** The Village may refund a debt issue to achieve a change in the provisions of a bond covenant or other commitment(s) attendant to the issue.

The Village Manager, or their designee, shall monitor the Village's debt portfolio for refunding opportunities and/or shall verify that the Village's Financial Municipal Advisor is doing so.

**D. Market and Investor Relations**
The Village shall continue to maintain a positive relationship with the rating agencies and the investment community. The Village shall continue to disclose certain financial information as required by the Securities and Exchange Commission. The Village shall continue to make available on its website any additional financial information that is available including, but not limited to the Village's annual financial report, annual budgetary information, capital improvement plans and financial policies.

**Special Situations**

**A. Use of Derivatives –** This policy does not allow for the use of derivatives.

**B. Conduit Debt -** The Village will consider issuing conduit debt when such actions would meet objectives of plans and/or policies adopted by the Board of Trustees.

**C. Variable Rate Debt**

1. Under certain circumstances, the Village may issue debt that has a rate of interest that varies depending on market conditions, consistent with Federal and State laws and covenants of pre-existing debt. Such market conditions include, but are not limited to:
    a. High Interest Rate Environment
        i. Current interest rates are above historic average trends.
    b. Variable Revenue Stream
        i. The revenue stream for repayment is variable, and is anticipated to move in the same direction as market-generated variable interest rates.
2. The Village shall have financing structure and budgetary safeguards in place to prevent adverse impacts from interest rate shifts.

**D. Lease Debt/Capital Leasing**

1. Capital Leasing may be considered for equipment costing generally less than $1,000,000.
2. Leasing shall not be considered when existing funds are available or could be made available for the acquisition unless the interest expense associated with the lease is less than the interest that can be earned by investing the existing funds available or unless it is warranted by prudent and feasible financial management.
3. If applicable tax-exempt rates shall be obtained when leasing.
4. Leases arranged with a government or other tax-exempt entity shall obtain an explicitly defined taxable rate so that the lease will not be counted in the Village's total annual borrowing subject to arbitrage rebate.
5. Lease agreements shall permit the Village to refinance the lease at a reasonable cost should the Village decide to do so. A lease which can be called at will is preferable to one which can merely be accelerated.
6. The Village shall obtain competitive proposals for any major lease financing unless the lessor is a sole-provider as defined in the Village's Purchasing Policy. The net present value of competitive bids shall be compared, taking into account whether payments are in advance or in arrears, and how frequently payments are made.
7. The advice of the Village's debt counsel shall be sought in any capital leasing arrangement and when Federal and State tax forms are prepared to ensure that all Federal and State tax laws are obeyed.

**Policy Review and Modification**

These policies shall be routinely reviewed by the Village Manager or their designee. Any changes to this policy will be presented to the Village Board for confirmation.

## Glossary of Terms

**Ad Valorem Tax** - A direct tax based "according to value" of property.

**Advanced Refunding Bonds** - Bonds issued to refund an outstanding bond issue more than 90 days prior to the date on which the outstanding bonds become due or callable. Proceeds of the advanced refunding bonds are deposited in escrow with a fiduciary, invested in United States Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date.

**Amortization** - The process of paying the principal amount of an issue of bonds by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders.

**Assessed Value** - An annual determination of the just or fair market value of property for purposes of ad valorem taxation.

**Bank Qualified Debt –** Debt that meets the qualifications of being issued by a qualified small issuer, issued for public purposes, and designated as qualified tax-exempt obligations. A qualified small issuer is an issuer that issues no more than the current bank qualified debt limit, set by the federal government, in a given year.

**Basis Point** - 1/100 of one percent.

**Bond** - Written evidence of the issuer's obligation to repay a specified principal amount on a date certain, together with interest at a stated rate, or according to a formula for determining that rate.

**Bonded Debt** - The portion of an issuers total indebtedness represented by outstanding bonds.

**Callable Bond** - A bond which permits or requires the issuer to redeem the obligation before the stated maturity date at a specified price, the call price, usually at or above par value.

**Conduit Debt -** Debt that is issued in the name of the Village but payable by third parties only, and for which the Village does not provide credit or security.

**Coupon Rate** - The annual rate of interest payable on a coupon bond (a bearer bond or bond registered as to principal only, carrying coupons evidencing future interest payments), expressed as a percentage of the principal amount.

**Debt Counsel –** An attorney retained by the Village to render a legal opinion whether the Village is authorized to issue the proposed debt, has met all legal requirements necessary for issuance, and whether interest on the debt is, or is not, exempt from federal and state income taxation.

**Debt Limit** - The maximum amount of debt which an issuer is permitted in incur under constitutional, statutory or charter provision.

**Debt Service** - The amount of money necessary to pay interest on an outstanding debt, the serial maturities of principal for serial bonds, and the required contributions to an amortization or sinking fund for term bonds.

**Enterprise Funds** - Funds that are financed and operated in a manner similar to private business in that goods and services provided are financed primarily through user charges.

**Financial Municipal Advisor –** Entity that represents the Village in the sale of bonds, and unlike other professionals involved in a bond sale, has an explicit fiduciary duty to the issuer.

**General Obligation Bonds -** A bond that is secured by unlimited ad valorem property taxes. However, each year of the bond term the Village may choose to adopt an abatement ordinance if other funds are available and sufficient to pay the principal and interest on the bond, which would otherwise be paid from a tax levy. Because of the Village's status as a 'home rule' community, voter approval is not required before the issuance of these types of bonds.

**Lease Purchase Agreement (Capital Lease)** - A contractual agreement whereby the government borrows funds from a financial institution or a vendor to pay for capital acquisition. The title to the asset(s) normally belongs to the government with the lessor acquiring security interest or appropriate lien therein.

**Letter of Credit** - A commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment.

**Level Debt Service** - An arrangement of serial maturities in which the amount of principal maturing increases at approximately the same rate as the amount of interest declines.

**Loan -** Temporary borrowing of a sum of money.

**Long-Term Debt -** Long-term debt is defined as any debt incurred whose final maturity is more than five years.

**Maturity** - The date upon which the principal of a municipal bond becomes due and payable to bondholders.

**Net Interest Cost (NIC) -** The traditional method of calculating bids for new or refunded issues of municipal securities. The total dollar amount of interest over the life of the bonds is adjusted by the amount of premium or discount bid, and then reduced to an average annual rate. The other method is known as the true interest cost (see "true interest cost").

**Note** - A debt security that promises to pay interest during the term that the issuer has use of the money, and to repay the principal on or before the maturity date and has initial maturities longer than one year and shorter than 10 years.
**Principal** - The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

**Private/Direct Placement -** A method in which debt is issued directly to an investor/institution without a public offering.

**Public Competitive Sale -** A method of sale in which the issuer solicits bids from underwriting firms to purchase its bonds, and sells bonds to the firm or bond syndicate offering the lowest interest rate that meets all criteria specified in the Notice of Sale.

**Public Negotiated Sale -** A method of sale where an underwriting firm is selected in advance of the proposed sale date before the issuer has full knowledge of the terms of the purchase. The issuer and underwriter engage in discussions regarding the amount of compensation which will be paid by the issuer to sell the bonds to investors, to provide advice to the issuer on the characteristics of the offering, and to cover other costs. A final purchase price, reflecting the amount of compensation to the underwriters and the coupon interest rates at which the bonds will be offered, is negotiated at the time designated for sale of the bonds.

**Ratings** - Evaluations of the credit quality of notes and bonds, usually made by independent rating services, which generally measure the probability of the timely repayment of principal and interest on municipal bonds.

**Refunding Debt –** Refinance debt or issue new bonds to retire bonds already outstanding.

**Revenue Bonds –** Revenue bonds are similar to general obligation bonds with the exception that the support of local property tax base is not used for repayment. Instead, project revenues are pledged for repayment of the bonds. For example, water user charges in the Water Fund can be pledged for repayment of water revenue bonds, as they are a reliable source of revenue.

**Self-Supporting or Self-Liquidating Debt -** Debt that is to be repaid from proceeds derived exclusively from the enterprise activity for which the debt was issued.

**Short-Term Debt -** Short-term debt is defined as any debt incurred whose final maturity is five years or less.

**Special Service Area Bonds -** A special bonding arrangement for capital improvements benefiting residents in specific areas of the Village. This debt is authorized by the property owners within those areas and the bonds are paid from taxes levied on those property owners.

**Tax-Exempt Debt** - For municipal debt issued by the Village tax-exempt means interest on the debt is not included in gross income for federal income tax purposes; the debt is not an item of tax preference for purposes of the federal, alternative minimum income tax imposed on individuals and corporations.

**Tax Increment Bonds -** Bonds secured by the incremental property tax revenues generated from a redevelopment project area.

**Term Bonds** - Bonds coming due in a single maturity.

**True Interest Cost (TIC) -** A rate which, when used to discount each amount of debt service payable in a bond issue, will produce a present value precisely equal to the amount of money received by the issuer in exchange for the bonds. The TIC method considers the time value of money while the net interest cost (NIC) method does not.

**Underwriter –** An entity that will purchase securities from a government issuer and resell them to investors.

**Yield to Maturity** - The rate of return to the investor earned from payments of principal and interest, with interest compounded semiannually and assuming that interest paid is reinvested at the same rate.

## B. Debt Disclosure Compliance Policy

**THE VILLAGE OF GLENVIEW, COOK COUNTY, ILLINOIS (THE "*VILLAGE*")**
**POLICIES AND PROCEDURES FOR PREPARING AND UPDATING DISCLOSURES**
Adopted via Resolution 16-123 on August 16, 2016

Pursuant to the Village's responsibilities under the securities laws, including its continuing disclosure undertakings (the "*Undertakings*") under Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, and the Securities and Exchange Commission's statements in enforcement actions, it is necessary and in the best interest of the Village that the Village's (i) preliminary and final official statements or offering circulars and any supplements or amendments thereto (collectively, the "*Official Statements*"), disseminated by the Village in connection with any bonds, notes, certificates or other obligations, (ii) Annual Financial Information, as required by and defined in the Undertakings (the "*Annual Financial Information*") to be filed with the Municipal Securities Rulemaking Board's ("*MSRB*") Electronic Municipal Market Access ("*EMMA*") system, and (iii) notices of Material Events or Reportable Events, each as defined in the Undertakings, in a timely manner not in excess of ten business days after the occurrence of the event, and any other required or voluntary disclosures to EMMA (each, an "*EMMA Notice*") comply in all material respects with the federal securities laws. Further, it is necessary and in the best interest of the Village that the Village adopt policies and procedures to enable the Village to create accurate disclosures with respect to its (i) Official Statements, (ii) Annual Financial Information, and (iii) EMMA Notices. Official Statements, Annual Financial Information and EMMA Notices are collectively referred to herein as the "*Disclosures.*"

In response to these interests, the Village hereby adopts the following policies and procedures (the "*Disclosure Policy*"):

(a) *Disclosure Officer*. The Village Manager of the Village (the "*Disclosure Officer*"), or his/her designee, is hereby designated as the officer responsible for the procedures related to Disclosures as hereinafter set forth (collectively, the "*Disclosure Procedures*").

(b) *Disclosure Procedures: Official Statements*. Whenever an Official Statement will be disseminated in connection with the issuance of obligations by the Village, the Disclosure Officer will oversee the process of preparing the Official Statement pursuant to the following procedures:

1. The Village shall select (a) the working group for the transaction, which besides various staff may include outside professionals such as disclosure counsel, a financial municipal advisor and an underwriter (the "*Working Group*") and (b) the member(s) of the Working Group responsible for preparing the first draft of the Official Statement.

2. The Disclosure Officer shall review and make comments on the first draft of the Official Statement. Such review shall be done in order to determine that the Official Statement does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the Official Statement not misleading. Particular attention shall be paid to the accuracy of all descriptions, significant information and financial data regarding the Village. Examples include confirming that information relating to the Village, including but not limited to demographic changes, the addition or loss of major employers, the addition or loss of major taxpayers or any other material information within the knowledge of the Disclosure Officer, is included and properly disclosed. The Disclosure Officer shall also be responsible for ensuring that the financial data presented with regard to the Village is accurate and corresponds with the financial information in the Village's possession, including but not limited to information regarding bonded indebtedness, notes, certificates, outstanding leases, tax rates or any other financial information of the Village presented in the Official Statement.

3. After completion of the review set forth in 2. above, the Disclosure Officer shall (a) discuss the Official Statement draft with the members of the Working Group and such staff and officials of the Village as the Disclosure Officer deems necessary and appropriate and (b) provide comments, as appropriate, to the members of the Working Group. The Disclosure Officer shall also consider comments from members of the Working Group and whether any additional changes to the Official Statement are necessary or desirable to make the document compliant with the requirements set forth in 2. above.

4. When, in the Disclosure Officer's reasonable judgment, the Official Statement does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the Official Statement not misleading, the Official Statement may, in the reasonable discretion of the Disclosure Officer, be released for dissemination to the public.

(c) *Disclosure Procedures*: *Annual Financial Information*. The Disclosure Officer will oversee the filing of the Annual Financial Information pursuant to these procedures:

1. The Disclosure Officer shall file the Annual Financial Information with EMMA (or confirm that such filing is completed by any agent hired by the Village for such purpose) within the timeframe allowed for such filing. If the audited financial statement is not available, then an unaudited financial statement shall be filed and the audited financial statement shall be provided within 30 days after it becomes available.

(d) *Disclosure Procedures*: *EMMA Notices*. Whenever the Village determines to file an EMMA Notice, or whenever the Village decides to make a voluntary filing to EMMA, the Disclosure Officer will oversee the process of preparing the EMMA Notice pursuant to these procedures:

1. The Disclosure Officer shall prepare (or hire an agent to prepare) the EMMA Notice. The EMMA Notice shall be prepared in the form required by the MSRB.

2. In the case of a disclosure required by an Undertaking, the Disclosure Officer shall determine whether any changes to the EMMA Notice are necessary to make the document compliant with the Undertaking.

3. If, in the Disclosure Officer's reasonable judgment, the EMMA Notice is correct and complete and, in the case of a disclosure required by an Undertaking, complies with the Undertaking, the Disclosure Officer shall file the EMMA Notice with EMMA (or confirm that such filing is completed by any agent hired by the Village for such purpose) within the timeframe allowed for such filing. Material Events and Reportable Events filing must be completed in a timely manner not in excess of ten business days after the occurrence of the event.

(e) *Additional Responsibilities of the Disclosure Officer*. The Disclosure Officer, in addition to the specific responsibilities outlined above, shall have general oversight of the entire disclosure process, which shall include:

1. Maintaining appropriate records of compliance with this Disclosure Policy (including proofs of EMMA filings) and decisions made with respect to issues that have been raised;

2. Evaluating the effectiveness of the procedures contained in this Disclosure Policy; and

3. Making recommendations to the Board as to whether revisions or modifications to this Disclosure Policy are appropriate.

(f) *General Principles*.

1. All participants in the disclosure process should be encouraged to raise potential disclosure items at all times in the process.

2. The process of revising and updating the Disclosures should not be viewed as a mechanical insertion of current numbers. While it is not anticipated that there will be major changes in the form and content of the Disclosures at the time of each update, the Disclosure Officer should consider whether such changes are necessary or desirable in order to make sure the Disclosure does not make any untrue statement of a material fact or omit to state a material fact necessary or desirable, in

order to make the statements made, in light of the circumstances in which they were made, not misleading at the time of each update.

3. Whenever the Village releases information, whether in written or spoken form, that may reasonably be expected to reach investors, it is said to be "speaking to the market." When speaking to the market, Village officials must be sure that the released information does not make any untrue statement of a material fact or omit to state a material fact necessary or desirable, in order to make the statements made, in light of the circumstances in which they were made, not misleading.

4. While care should be taken not to shortcut or eliminate any steps outlined in this Disclosure Policy on an ad hoc basis, the review and maintenance of the Disclosures is a fluid process and recommendations for improvement of these Disclosure Procedures should be solicited and regularly considered.

## C. Bond Record-Keeping Policy

### I. PURPOSE

The policy conforms to the financial regulatory reform called the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Since tax-exempt bond issues are a primary financial tool used by the Village and the Village currently maintains all bond records, monitors arbitrage, and fulfills all continuing disclosure requirements as part of its bond post-issuance compliance program, the bond record-keeping policy serves as a formal documentation of compliance.

### II. POLICY

The policy is adopted by Resolution 12-80 and:

- ✓ Designates a compliance officer;
- ✓ Provides for an annual review made to the Board that includes a statement of arbitrage rebate liability and bond record-keeping compliance;
- ✓ Supersedes the Village's current record retention policy for bond documents from ***two*** years after the cancellation or due date to as long as the bonds remain outstanding plus ***three*** years; and
- ✓ Specifies maintenance of all bond documents related to a transaction including resolution, ordinance, legal opinions, certifications, Official Statements, etc. as well as all documents related to the investment and expenditure of the bond proceeds.

## VII. Facilities Repair and Replacement Fund (In Development)

Hold Section: Policy in development.

# VIII. Fund Balance

## I. PURPOSE

The Village of Glenview has created this fund balance policy to provide a reserve for the following funds (Corporate, Water, North Maine, Sewer, Municipal Equipment Repair Fund (MERF), Capital Equipment Replacement Fund (CERF), Facility Replacement and Repair Fund (FRRF), Insurance and Risk). The Fund Balance Policy follows generally accepted accounting principles (GAAP) and has been developed to:

- Ensure stable service delivery
- Provide reserves to meet unanticipated nonemergency expenditures
- Smooth the effects of annual changes in tax rates and/or structure
- Provide sufficient cash flow for financial needs
- Demonstrate financial stability and to preserve the Village's bond rating.

## II. CORPORATE FUND BALANCE

The Corporate Fund Balance will be maintained at 30%-40% of total expenditures. Total expenditures include transfers out of the fund.

## III. UTILITY ENTERPRISE FUND BALANCE

The fund balance of the Utility Enterprise Funds (Water, Sewer, and North Maine) includes fixed assets, capital, debt and cash. The goal of the utility funds is to remain self-sufficient. A reserve cash balance policy has been put into place to ensure positive cash flow for operations. This reserve balance is 30 days of operating expenditures, excluding capital and debt service.

## IV. MAINTENANCE EQUIPMENT REPAIR FUND (MERF) BALANCE

The MERF Fund provides maintenance and repair services for vehicles and equipment throughout the year. These services are billed to departments, which then fund MERF operations. The MERF Fund Balance is to be managed to a zero cash balance. In the event the fund experiences a variance from a zero balance, a plan is to be put into place to manage back to a zero balance.

## V. CAPITAL EQUIPMENT REPLACEMENT FUND (CERF) BALANCE

The CERF Fund provides funding, through annual department contributions, for the replacement of capital assets. The Fund Balance is to be maintained at 40% of the calculated accumulated reserves.

**VI. FACILITY REPLACEMENT RESERVE FUND**

- Hold Section: Policy in development.

**VII. INSURANCE/RISK FUND BALANCE**

The Insurance/Risk Fund should be self-sufficient (expenses are covered by charges for service revenues) and routinely reviewed to incorporate new data. The fund balance is targeted at a minimum level to cover 30-60 days of operating expenses plus an amount available for unanticipated claims.

# IX. Investment

**I. PURPOSE**

It is the policy of the Village of Glenview, Illinois (the "Village") to prudently invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state statutes governing the investment of public funds.

**II. SCOPE**

This investment policy applies to all financial assets of the Village. The financial assets of the Police and Firefighter's Pension Funds are subject to the orders of their respective Boards of Trustees. The financial assets of the Village of Glenview Public Library are subject to the direction of their respective Board of Trustees. The following funds are accounted for in the Village's Comprehensive Annual Financial Report and include:

*Funds:*

General Fund
Special Revenue Funds
Capital Project Funds
Enterprise Funds
Trust and Agency Funds
Any new fund created by the Village Board, unless specifically exempt
Glenview Public Library Funds.

**III. PRUDENCE**

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

The standard of prudence to be used by investment officials shall be the "**prudent person**" standard and shall be applied in the context of managing an overall portfolio. Investment officials acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**IV. OBJECTIVE**

The primary objectives, in priority order of the Village's investment activities shall be:

*Safety:*
Safety of principal is the foremost objective of the investment program. Investments of the Village shall be undertaken in a manner that seeks to insure the preservation of capital in the portfolio.

*A. Credit Risk:*
Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

- Limiting investments to the safest types of securities or other allowable investments;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village will do business; and
- Diversifying the investment portfolio so that potential losses on individual securities or other allowable investments will be minimized.

*B. Interest Rate Risk:*
Interest rate risk is the risk that the market value of securities or other allowable investments in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by:

- Structuring the investment portfolio so that securities or other allowable investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities or other allowable investments on the open market prior to maturity; and
- By investing operating funds primarily in shorter-term securities or other allowable investments.

*Liquidity:*
The investment portfolio should establish adequate liquidity to meet all reasonably anticipated as well as unforeseen expenditures. This is accomplished by structuring the portfolio so that securities or other allowable investments mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should provide adequate liquidity to meet unexpected cash needs. Liquidity can be achieved utilizing securities with active secondary markets, money market accounts and/or savings deposit accounts offering daily liquidity, or other liquid options acceptable under ILCS235.

*Return on Investments:*
Return on investment is of tertiary concern when compared to the safety and liquidity objectives described above. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout economic cycles, taking into account the investment risk constraints and liquidity needs. Investments are limited to very low risk securities or other allowable investments in anticipation of earning a fair return relative to

the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

1) A declining credit security could be sold early to minimize loss of principal;
2) A security swap would improve the quality yield, or target duration in the portfolio; or
3) Liquidity needs of the portfolio require that the security be sold.

*Legality:*
The investment activities of the Village will conform to federal, state and local legal requirements.

**V. DELEGATION OF AUTHORITY**

Authority to manage the Village's investment program is derived from the following:

The establishment of investment policies is the responsibility of the Village Board. Management and administrative responsibility for the investment program is delegated to the Village Manager or his/her investment designee[1], who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Village Manager. The Village Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Village Manager may amend the written procedures in a manner not inconsistent with this policy or with state statutes.

**VI. ETHICS AND CONFLICTS OF INTEREST**

Individuals involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Individuals involved in the investment process shall disclose any interests in financial institutions with which they conduct business. In addition, such individuals shall disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Individuals involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village.

[1] Village Manager shall mean "Village Manager or his/her investment designee" wherever Village Manager is stated in the document.

## VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Village Manager will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except on qualified public depository as established by state statutes.

All financial institutions and broker/dealers who desire to become approved bidders for investment transactions must supply the Village with the following:

- Audited financial statements;
- Proof of National Association of Security Dealers (NASD) certification;
- Proof of state registration; and
- Certification of having read the Village's Investment Policy, (Attachment # 1).

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

A current audited financial statement must be on file for each financial institution and broker/dealer through which the Village invests.

## VIII. AUTHORIZED AND SUITABLE INVESTMENTS

The Village may invest in any type of security allowed for in Illinois statutes regarding the investment of public funds. Current approved investments include:

- Bonds, notes, certificates of indebtedness, treasury bills, treasury strips or other securities or other allowable investments now or hereafter issued, which are guaranteed by the full faith and credit of the government of the United States of America as to principal and interest.
- Bonds, notes, debentures, or other similar obligations of the government of the United States of America or its agencies.
- Interest bearing savings accounts, interest bearing certificates of deposit or interest bearing time deposits or any other investment constituting direct obligations of any institution as defined by the Illinois Banking Act and is insured by the Federal Deposit Insurance Corporation.
- The Illinois Funds, including the Illinois Public Treasurer's Investment Pool, (IPTIP) and the Illinois Metropolitan Investment Fund (IMET).
- Short-term obligations of corporations (banker's acceptances and commercial paper) organized in the United States with assets exceeding $500 million and rated at the time of purchase at the highest classification established by at least two standard rating services. Such investments must mature within 180 days from the date of purchase and may not exceed 10% of the corporations' outstanding obligations. No more than a

combined 33% of the Village's funds may be invested in banker's acceptances or commercial paper at any given time.

- Short-term discount obligations of the Federal National Mortgage Association (FNMA) or in shares of other forms of securities or other allowable investments legally issued by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States. Investments may be made only in those savings and loan associations of which the shares or investment certificates are insured by the Federal Deposit Insurance Corporation (FDIC).
- Investment options suitable under ILCS235 including Fixed Rate General Obligation Municipal Bonds whose credit quality is restricted to “AA” or better.

**IX. COLLATERALIZATION**

It is the policy of the Village and in accordance with the GFOA's Recommended Practices on the Collateralization of Public Deposits, Attachment #3, that the Village requires that funds on deposit in excess of FDIC limits be secured by some form of collateral, including surety bonds or letters of credit. The Village will accept any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Fixed Rate General Obligation Municipal Bonds rated “AA” or better
- Obligations of the State of Illinois.

The Village reserves the right to accept/reject any form of the above named securities.

The Village also requires that all depositories that hold Village deposits in excess of the FDIC limit must agree to utilize the GFOA’s Recommended Practices of Collateralization of Public Deposits as outlined in Attachment 3.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed monthly by the Village, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping, by an independent third party depository, or the Federal Reserve Bank of Chicago, designated by the Village and evidenced by a safekeeping agreement. The Village shall approve, in writing, the process for the release of substitution of pledged assets. The Village realizes that there is a cost factor involved with collateralization and the Village will pay any reasonable and customary fees related to collateralization.

**X. SAFEKEEPING AND CUSTODY**

All security transactions, including collateral for repurchase agreements, entered into by the Village shall be conducted on a delivery-verses-payment (DVP) basis. Securities or other allowable investments will be held by a third party custodian designated by the Village Manager and evidenced by safekeeping receipts.

**XI. DIVERSIFICATION**

In order to reduce the risk of default, the investment portfolio of the Village shall not exceed the following diversification limits unless specifically authorized by the Village Board:

- Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
- Commercial paper shall not exceed 33% of the Village's investment portfolio.
- Deposits in the Illinois Public Treasurer's Investment Pool shall not exceed 50% of the Village's investment portfolio.
- Brokered and negotiable certificates of deposit shall not exceed 25% of the Village's investment portfolio.

**XII. MAXIMUM MATURITIES**

To the extent possible, the Village will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific anticipated expenditure, the Village will not directly invest in securities maturing more than three years from the date of purchase.

Reserve funds may be invested in securities or other allowable investments exceeding three years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

**XIII. INTERNAL CONTROLS**

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

Accordingly, the Village Manager shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The Village Manager may initiate additional reviews at his/her discretion.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities or other allowable investments
- Clear delegation of authority to subordinate staff members
- Written confirmation of telephone transactions for investments and wire transfers
- Development of a procedure for making wire transfers.

**XIV. PERFORMANCE STANDARDS**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a minimum quarterly basis.

*Market Yield (Benchmark):*
The Village's investment strategy is passive. Given this strategy, the basis used by the Village Manager to determine whether market yields are being achieved shall be the three month U.S. Treasury Bill.

**XV. REPORTING**

The Village Manager shall have prepared an investment report at least quarterly, including a succinct management summary that provides a clear picture of the status of the current investment portfolio. This management summary will be prepared in a manner which will allow the entity to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report may include the following:

- A listing of individual securities or other allowable investments held at the end of the reporting period.
- Average weighted yield to maturity of portfolio on Village investments as compared to applicable benchmarks.
- Listing of investments by maturity date
- The percentage of the total portfolio which each type of investment represents
- The percentage of the total portfolio which each institution is holding
- The percentage of the total portfolio broken down by defined maturity periods
- Principal and type of investment by fund.

*Marking to Market:*
A statement of the market value of the portfolio shall be issued at least quarterly and a management summary shall be provided to the governing body. This will ensure that the minimal amount of review has been performed on the investment portfolio in terms of value and subsequent price volatility. Review should be consistent with the GFOA Recommended Practice on Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools (Attachment #3).

**XVI. INVESTMENT POLICY ADOPTION**

The Village of Glenview's investment policy and any amendment thereto, shall be adopted by resolution of the Village. This policy shall be reviewed on a regular basis by the Village Manager to monitor such matters as conformance to accepted practices, conformance with standards such as GFOA, and changes to the suitability of investments.

# X. Municipal Equipment Repair Fund

## I. PURPOSE

The Village of Glenview, Illinois, has established a Maintenance Equipment Repair Fund (MERF) to account for the expenditures related to the Public Works Department who maintain and repair all Village and agreed upon outside agency vehicles, Village equipment, and the Village owned fuel system. MERF also accounts for fuel for all Village and contracted outside agency vehicles. The Board reviewed the MERF policy on August 18, 2009 and approved a fund balance goal to net to zero cash balance on an annual basis.

## II. MERF REPAIR SCHEDULE

Public Works Department is responsible for the development and implementation of a maintenance and repair schedule for Village vehicles and equipment. This fund also accounts for unanticipated repairs.

## III. MERF REVENUES AND EXPENSES

The Maintenance Equipment Repair Fund is funded through Charges for Services for the maintenance and repair of vehicles and equipment. The Public Works Department reports activity and Administrative Services invoices participating departments and outside agencies on a monthly basis for services rendered. These charges include an administration fee, labor, fuel, parts, and outside repairs. The service charges are intended to cover the operating costs and are reviewed annually.

Revenues will be collected in the MERF Fund from the sale of scrap materials, interest income, and Charges for Services.

## III. FUND BALANCE

The Charges for Services collected through MERF are intended to cover the operating expenses. MERF fund balance is to be managed to a zero balance. Budgeted operating costs are an estimate and actual results may fluctuate slightly from the budget on an annual basis. Administrative Services will analyze MERF annually and a recommendation will be made to the Board of Trustees should the targeted fund balance fall short or exceed the fund balance policy level.

# XI. Permanent Fund

## I. PURPOSE

Pursuant to the September 3, 1996 Business/Operational Plan prepared by Deloitte & Touche for the Glenview Naval Air Station redevelopment project (now known as "The Glen" and hereinafter referred to as the "Project"), the Village of Glenview, Illinois, established a Permanent Fund (the "Fund") to receive a master developer fee defined as 20% of the proceeds of land sold within the Project. An interim policy was established by Resolution 02-40 to temporarily use the Fund Balance as an intergovernmental loan to the Project to enhance cash flow, reduce overall Project risk and minimize General Obligation bond requirements. Based on the success and stabilization of the Project, it was possible to use some of the Fund revenues for eligible uses and a formal policy regarding use of the Fund's assets was established by Resolution No. 05-16 on March 15, 2005.

## II. PERMANENT FUND ADVANCES

Permanent fund assets shall not be utilized to fund operating expenditures in any fund except in the event that cash reserves are exhausted due to emergency expenditures. Operating expenditures include regularly occurring operations that provide basic governmental services including, but not limited to, personnel costs, supplies, utilities, materials, and fuel. The use of Permanent Fund assets as a result of the exhaustion of cash reserves shall be for a period not to exceed one year and shall be used solely to address cash flow shortfalls between operating expenditures and revenue collection. Should Permanent Fund assets be utilized, the borrowing fund will repay the Permanent Fund the amount at a reasonable and current interest earnings rate.

## III. ELIGIBLE USES

Except for Permanent Fund Advances noted above, it is the intent of the Village to limit the use of Permanent Fund assets to capital expenditures throughout the Village (outside of The Glen) and economic development initiatives. Capital expenditures include expenditures for real property or improvements to real property including, but not limited to, construction of, and major alterations to the following:

1) Transportation Projects
    a) Street Improvements
    b) Sidewalks and Bikeways
    c) Street Lighting
    d) Bridges
    e) Railway Crossings
    f) Traffic Signals and Intersections
    g) Landscaping

2) Land Acquisition
3) Storm Sewer Projects
   Storm Water Management Projects
   Detention Projects
4) Sanitary Sewer Projects
5) Village-owned Buildings, Structures and Physical Facilities
   a) Fixed Equipment
   b) Landscaping

Economic development initiatives include those that meet Village financial and strategic goals, provide for reinvestment in the community, and establish and maintain long term revenue streams.

**IV. ASSET USE**

Review available assets and if there are any assets available, they are considered for any eligible uses during the annual budget process.

# XII. New Property – Property Tax Levy Policy

**I. PURPOSE**

The intent of this Policy is to provide guidance to staff in drafting the proposed Property Tax Levy for the annual budget and to acknowledge and affirm that only the Village Board's consideration and passage of the annual Property Tax Levy will authorize extension and collection of taxes on real property within the Village of Glenview.

**II. POLICY**

Each year the Cook County Clerk's Office identifies the portion of the Village's Equalized Assessed Valuation "EAV" attributable to what is commonly referred to as "New Property." This includes additions or improvements to existing property, annexations, disconnects, recovered tax increment value, and expired incentives. These amounts are reported on the Village's **PTELL – 20XX New Property, Annexed Property, Disconnected Property, Recovered Tax Increment Report**. For simplicity this policy will refer to this as the New Property Report. The total of all categories on the New Property Report is displayed on the Village's **Agency Tax Rate Report,** also reported by the Cook County Clerk's Office. The **Agency Tax Rate Report** also includes the Agency Overall EAV for the Village.

Each year staff will use the reports from the Cook County Clerk's Office to determine the percentage change in EAV that occurred as a result of this "New Property". Staff will subtract the "New Property" from the Agency Overall EAV to determine the current EAV amount associated with the properties that were included in last year's Agency Tax Rate Report. This represents the "Current EAV of Old Property." Dividing the "New Property" by the "Current EAV of Old Property" results in the percentage change in EAV attributable to the "New Property."

Staff will then adjust the prior year's Property Tax Levy by the percentage change calculated above to construct the annual Property Tax Levy amount for the following year's budget. This change would represent the increase or decrease to the prior year's levy that could be captured by the Village in the current year without impacting the tax burden for the population of properties that made up the prior year's EAV.

This Policy voids and replaces the Annexed (Disconnected) Property Tax Policy.

# XIII. Purchasing

## A. Procurement Policy

**I. PURPOSE AND GOALS**

This Policy establishes a centralized purchasing system for the Village of Glenview to vest authority for establishing rules governing purchasing by the Village, promote public confidence in the integrity and transparency of the procedures followed to procure the goods and services required by the Village, ensure fair and equitable treatment of all people who participate in the purchasing system and maximize economy in purchasing activities and, to the fullest extent possible, the purchasing value of Village funds.

**II. POLICY**

The Procurement Policy shall have the force and effect of municipal local law as if fully stated in the Village's Code upon approval and adoption by the Village of Glenview Board of Trustees. Additionally, the terms and provisions of the Procurement Policy shall be deemed by operation of law to be a part of the terms and conditions of each procurement, purchase order and contract involving the Village as a party, except to the extent that an authorized official has expressly provided for a written exception to one or more of the requirements provided for in the Procurement Policy with respect to a particular procurement, purchase order or contract.

All purchases are required to follow the ***Procurement Policy and the Procedures & Acceptable Use Guidelines*** adopted by the Board of Trustees April 12, 2013 (Resolution 13-073), unless otherwise governed under a specific policy.

No item or service should be ordered, received or paid for without a Purchase Order, Blanket Purchase Order, Emergency Purchase Order or Credit Card.

**CATEGORY ONE**: PURCHASES UP TO $1,000.00
Purchases in this category require one verbal quote.

**CATEGORY TWO**: PURCHASES OF $1,000.01 TO $4,999.99
Purchases in this category require multiple quotes.

**CATEGORY THREE**: PURCHASES OF $5,000.00 TO $19,999.99
Purchases in this category require written quotes. Written quote packages shall be submitted to the Purchasing Manager for compliance review prior to issuing the PO.

**CATEGORY FOUR**: PURCHASES OVER $20,000.00
Requires a formal solicitation through the Purchasing Division.

**CATEGORY FIVE**: PURCHASES OF $19,999.99 TO $30,000.00
Requires a formal solicitation through the Purchasing Division.

The Village Board of Trustees, Village Manager or his/her designee may waive the formal bidding process when it is deemed advantageous to the Village.

Approval Authority

A. For purchases and contracts up to CATEGORY TWO that have been adopted in the current or prior budget, the approval authority is the Department Head.

B. For purchases and contracts up to CATEGORIES THREE, FOUR, and FIVE, the approval authority is the Village Manager and the Purchasing Manager.

C. For purchases and contracts in excess of CATEGORY FIVE, the approval authority is the Village Board of Trustees.

Exclusions

The following purchases are excluded from the competitive requirements:

A. Agreements between the Village Board and non-profit organizations or governmental entities including the procurement, transfer, sale or exchange of goods and/or services.

B. Procurement of dues and memberships in trade or professional organizations; subscriptions for periodicals; advertisements; postage; used equipment; abstracts of titles for real property; title insurance for real property; real property; water, sewer, and electrical utility services; copyrighted materials; patented materials; art and artistic services; employment agreements; medical services; service required by proprietary ownership such as CSX Railroad carrier, original equipment manufacturers (OEM) and fees and costs of job-related travel, seminars, tuition, registration and training.

C. Purchases from State of IL as well as other contracts awarded by any local, state, or national government agency, cooperative purchasing organizations or purchasing associations that have been competitively bid.

## B. Credit Card Policy

### I. PURPOSE, GOALS, AND POLICY

Village-issued credit cards (“Credit Cards”) are issued to designated employees of the Village to support specific and limited types of Village purchasing. Credit Cards are used as a supplement to other acceptable methods of procurement, and should only be used when other approved procurement methods are not available.

The Village strongly encourages the use of other approved methods of procurement when possible. All purchases made with Credit Cards are subject to the requirements and restrictions set forth in the Village's ***Procurement Policies and Procedures and Acceptable Use Guidelines***. Purchases made with Credit Cards are subject to public disclosure under the Freedom of Information Act (the "FOIA").

## C. Petty Cash Policy

**I. PURPOSE, GOALS, AND POLICY**

Petty Cash is used to make small purchases as a supplement to other methods of purchasing. Petty Cash should only be used for small incidental purchases for which there is an immediate need. Petty Cash should not be used to reimburse expenses that can be processed through other approved payment methods.

The Village strongly encourages the use of other approved methods of procurement when possible. All purchases made with Credit Cards are subject to the requirements and restrictions set forth in the Village's ***Procurement Policies and Procedures and Acceptable Use Guidelines***. Purchases made with Credit Cards are subject to public disclosure under the Freedom of Information Act (the "FOIA").

## D. PreIssued Checks

**I. PURPOSE AND GOALS POLICY**

Preissued checks are checks issued between normal accounts payable cycles when an emergency or other extenuating circumstance, as determined by the Director of Administrative Services or the Director of Finance, makes it impractical or unreasonable to process the payment following normal payment methods. Preissued checks are labor intensive and time consuming to issue, therefore, their use as a method of payment shall be restricted to unique or special circumstances. In most cases, travel advances and seminar registrations are not considered special circumstances and should be requested through the normal accounts payable cycle.

**II. POLICY**

The Administrative Services Department will not preissue checks in instances where reasonable means could have been taken to process the payment following normal payment methods.

All requests for preissued checks must include the following:

- A completed request form which includes the vendor's name and address, the budget account number to be charged, description of the purchase/service, and an explanation as to the need for the special request.

- The form shall include the signatures of the employee requesting the preissued check and the applicable Department Head.

- The completed form shall be submitted to the Director of Finance for approval.

- The Administrative Services Department will process all approved preissued checks on a weekly basis.

# XIV. Special Service Areas – Project Cost and Interest Rate Amendment

## I. PURPOSE

The Village adopted a ***Stormwater Management Policy Statement for Unsewered Areas of the Village dated October 1, 2002*** on October 15, 2002 (Resolution 02-51), amended for specifics related to SWAMP improvements on November 5, 2002 (Resolution 02-55), and amended establishing fund accounting policy on February 1, 2005 (Resolution 05-05). Most recently, it was amended May 2, 2006 (Resolution 06-84) to outline the procedure used when calculating estimated project costs and interest rates for use in Special Service Area (SSA) construction projects.

## II. POLICY

The Village of Glenview policy concerning estimated project costs shall be to take the final Engineer's estimate and add a 25% contingency factor to that amount. That figure shall be used for the purposes of estimating not-to-exceed project costs in the ordinance establishing the Special Service Area.

For the purpose of estimating the interest rate for the Special Service Area, it shall be the Village's policy to take the current interest rate for a 20 year note for the then current bond rating of the Village, as established by the Bond Buyer Index, and add 2 percentage points to establish the not-to-exceed interest rate to be used in the ordinance establishing the Special Service Area.

# XV. Unclaimed Property

## I. PURPOSE

The Village of Glenview (the "Village") has developed this Unclaimed Property Policy to ensure vendors receive their payments and to minimize remittances to the state.

## II. STATUTORY REQUIREMENTS

The Village of Glenview (the "Village") has established this Unclaimed Property Policy to ensure compliance with the Illinois Uniform Disposition of Unclaimed Property Act- 765 ILCS 1025/1-30- (the "Act"). The Act states that government agencies are required to send to the State of Illinois the cash from any check that is outstanding for greater than seven years. These outstanding checks are presumed to be abandoned. This policy will attempt to mitigate the possibility of the Village having to send cash to the State for any unclaimed property and clearly state how the Village will remain in compliance with the Act.

Each year the State of Illinois sends an Annual Report of Unclaimed Property to the Village for filing. The Village will submit a completed form, including a check for the amount of the unclaimed property by the established annual deadline.

## III. POLICY GUIDELINES

The Village issues checks for various activities, services, and products throughout the year. After the Village receives these services and products, the Village is legally bound to satisfy its obligations. If the Village issues a check, it no longer has rights to the cash. If a check is outstanding at the end of the month, it is included as a reconciling item during the bank reconciliation procedure. The Village will also send out notifications according to current procedures in its best effort to deliver the check to the payee.

If a check remains outstanding for more than the current contracted bank policy (generally 180 days with most banking institutions), the check becomes void and can no longer be cashed by the payee. In order to avoid having to reissue any checks, the Administrative Services Department has developed procedures to notify payees of an unclaimed check and procedures to reissue checks. The Administrative Services Department had also developed final notification procedures for outstanding checks. Any unclaimed checks after the current contracted banking term will be void and the payee would need to follow the established procedures to receive a replacement check.

## XVI. Appendix A: Board Policy Action

| Policy | Board Consideration/Adoption | Notes |
|---|---|---|
| **1. Budget** | February 1, 2005<br>July 16, 2009 Board Workshop | Revenue estimation and expense detail<br>Written policy to adopt and adhere to a budget (65 ILCS 5/8-2-9.1 through 9.11) |
| **2. Capital Projects Budgeting** | February 1, 2005<br>June 17, 2008 | Established 5-Year Plan<br>Authorize project-length capital budgeting |
| **3. Cost Allocation** | July 16, 2009 Board Workshop | Budget across all funds and expense as incurred |
| **4. Capital Equipment Replacement Fund ("CERF")** | March 1, 2005;<br>July 16, 2009 Board Workshop<br>August 18, 2009 Board Workshop<br>2012 Budget Workshop | Fund accounting established<br>Considered smoothing methods<br>50% Accumulated Reserves & Rolling 5-Year Average<br>40% Accumulated Reserves& Rolling 5-Year Average |
| **5. Capital Assets** | April 19, 2016 | Policy for the Accounting of the Village Capital Assets |
| **6. Debt** | February 1, 2005<br>May 22, 2012<br>August 16, 2016 | Issue for capital infrastructure requirements<br>Bond Record Keeping and Compliance Reporting<br>Debt Management and Debt Disclosure Compliance |
| **7. Facilities Repair and Replacement Fund** | 2006 | Created from CERF Transfer; no ongoing revenue source |
| **8. Insurance/Risk Fund** | February 1, 2005<br><br>October 6, 2009<br>Oct 5, 2010 Workshop<br>March 10, 2011 Workshop<br><br>October 18, 2011 Executive Session | Reserve amount adequate to fund predictable losses Combined Funds<br>55% Confidence Level Claim Payment Budget;<br>Unpaid Claim Reserve at 75% Level<br>Reviewed actuarial methods to estimate claims and reserves<br>55% Confidence Level Claim Payment Budget;<br>Unpaid Claim Reserve at 55% Level |
| **9. Investment** | February 1, 2005<br>April 16, 2009 & May 19, 2009 | Minimize credit and interest rate risk<br>Defined investment types and designated officials; eliminated derivatives as an investment option |
| **10. Municipal Equipment Repair Fund ("MERF")** | July 16, 2009 Board Workshop<br>August 18, 2009 Board Workshop | Fund accounting established<br>Transferred Assets to CERF |
| **11. Permanent Fund** | March 15, 2005<br>(*insert date*)<br>December 8, 2009 & December 13, 2010<br>April 16, 2013 | Fund accounting established<br>Update interest provision from 6% to Illinois Funds rate<br>Library 2009A tax abatements<br><br>Amend for economic development use |
| **12. Property Tax** | February 5, 2008<br>July 17, 2012 | Annexed Property Calculation Guideline<br>Updated Annexed Property Calculation |

| | | |
|---|---|---|
| | June 19, 2012 | Document EAV, Loss & Cost, + projected growth |
| **13. Purchasing** | March 15, 2005<br>December 9, 2008<br>April 16, 2013 | Purchasing Authority Level of $500 and under created<br><br>Purchasing Manual adopted with Manager approval authority at $30,000 |
| **14. Reserves** | February 1, 2005<br><br><br>July 16, 2009 Board Workshop<br>FY 2012 Implementation | Corporate Fund Reserves 33-40% of Total Expenditures; Utility funds 60-day operating expenditures excluding capital and debt<br>Corporate Fund Reserves 30-40% of Total Expenditures<br>GASB 54 update |
| **15. Special Service Areas** | February 1, 2005, October 15, 2002, November 5, 2002, and May 2, 2006 | Fund accounting established; Contribution of public funds toward drainage improvements in unsewered areas; Update to eliminated prepayment option; Established upper limit project costs and interest rates |
| **16. Unclaimed Property** | July 21, 2009 | Established annual reporting |

## XVII. Appendix B: Exhibit A to Capital Assets Policy (In Development)

**Exhibit A to the Village Capital Asset Policy: Classes, Thresholds, and Depreciable Life**

| Class of Asset | Threshold for Capitalization | Depreciable Life |
|---|---|---|
| Land | All | N/A |
| Right-Of-Way | All | N/A |
| Land Improvements | $25,000 | 25-50 Years |
| Bridges | $25,000 | Pedestrian - 40 Years<br>Vehicle - 20 Years |
| Buildings and Improvements | $25,000 | 10-50 Years |
| Roads | All | 40 Years |
| Alleys | All | 60 Years |
| Vehicles & Equipment | $25,000 | 4-30 Years |
| Stormsewer System | All | 60 Years |
| Traffic Signals | All | 25 Years |
| Sidewalk | All | 60 Years |
| Streetlights | All | 40 Years |
| Water Mains | All | 50 Years |
| Sewer Mains | All | 50 Years |

## XVIII.Appendix C: Investment Policy Glossary

**AGENCIES**: Informal name that refers to securities issued by the United States government and U.S. government sponsored instrumentalities.

**ASKED**: The trading price proposed by the prospective seller of securities. Also called the offer or offered price.

**BANKERS' ACCEPTANCE (BA)**: A short-term financial instrument that is the unconditional obligation of the accepting bank.

**BASIS POINT (BP)**: A unit of measurement for interest rates or yields that are expressed in percentages. (One hundred basis points equal 1 percent.)

**BID**: The trading price acceptable to a prospective buyer of securities.

**BOND EQUIVALENT YIELD (BEY)**: An annual yield, expressed as a percentage, describing the return provided to bond holders. The BEY is a way to compare yields available from discount securities such as Treasury bills and BAs with yields available from coupon securities.

**BROKER**: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same individuals and firms that act as brokers in some transactions may act as dealers in other transactions.

**BROKERED AND NEGOTIABLE CERTIFICATES OF DEPOSIT**: Short-term (2 to 52 weeks) large denomination ($100,000 minimum). Certificate of Deposit that is issued at a discount on its par value, or at a fixed interest rate payable at maturity and are freely traded in secondary markets.

**CERTIFICATE OF DEPOSIT (CD)**: A deposit of funds, in a bank or savings and loan association, for a specific term that earns interest at a specified rate or rate formula. CDs may be secured or unsecured, may be in negotiable or nonnegotiable form and may be issued in either physical or book entry form.

**COLLATERAL**: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**COMMERCIAL PAPER (CP):** Unsecured, short-term promissory notes issued by corporations for specific amounts and with specific maturity dates.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**: The official annual report for the Village of Glenview. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

**COUPON**: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**DEALER**: A firm or individual who buys and sells for their own account. Dealers have ownership between a purchase from one party and a sale to another party. Dealers are compensated by the spread between the price they pay and the price they receive.

**DEBENTURE**: A bond secured only by the general credit of the issuer.

**DELIVERY VERSUS PAYMENT (DVP)**: The simultaneous exchange of securities and cash. The safest method of settling either the purchase or sale of a security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous independent wires.

**DISCOUNT**: The amount by which the price for a security is less than its par.

**DISCOUNT SECURITIES**: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity. Treasury bills, bankers' acceptances and zero coupon bonds are discount securities.

**DIVERSIFICATION**: Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL CREDIT AGENCIES**: Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

**FEDERAL DEPOSIT OF INSURANCE CORPORATION (FDIC)**: A federal agency that insures bank deposits, currently up to $100,000 per deposit.

**FEDERAL FUNDS RATE**: The rate for which overnight federal funds are traded.

**FEDERAL HOME LOAN BANKS (FHLB)**: The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or FANNIE MAE)**: FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, HUD. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**FEDERAL OPEN MARKET COMMITTEE (FOMC)**: Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotation basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM**: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE)**: GNMA, like FNMA, was chartered under the Federal National Mortgage Association Act of 1938. Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term *passthroughs* is often used to describe Ginnie Maes.

**INTERNAL CONTROLS:** Internal controls must be designed to ensure that the assets of the Village are protected from loss, theft or misuse. The internal control structure should be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. <u>Control of Collusion</u> - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. <u>Separation of transaction authority from accounting and record keeping</u> - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. <u>Custodial Safekeeping</u> - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. <u>Avoidance of Physical Delivery Securities</u> - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered

securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

6. Written confirmations or telephone transactions for investments and wire transactions - Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

7. Development of a wire transfer agreement with the lead bank or third party custodian - The designated official should ensure that an agreement will be entered into and will address the following points: controls; security provisions, and responsibilities of each party making and receiving wire transfers.

**LIQUIDITY**: A liquid asset is one that can be readily converted to cash through sale in an active secondary market.

**LOCAL GOVERNMENT INVESTMENT POOL (LGIP)**: Pools through which governmental entities may invest short term cash. Examples of LGIP's are the Illinois Funds, administered by the Illinois State Treasurer and the Illinois Metropolitan Investment Fund.

**MARKET VALUE**: The price at which a security could presumably be purchased or sold.

**MARK TO MARKET:** The process of restating the carrying value of an asset or liability to equal its current market value.

**MASTER REPURCHASE AGREEMENT**: A written contract covering all future transactions between parties. The agreement establishes each party's right in the transaction. Repurchase Agreements (REPO's) are a form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and then buys them back the following day. For the party selling the security (and agreeing to repurchase it in the future), it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement. A master agreement will often specify, among other things, the right to liquidate the underlying securities in the event of default.

**MATURITY**: The date upon which the principal or stated value of an investment becomes due and payable.

**MONEY MARKET**: The aggregation of buyers and sellers actively trading money market instruments.

**OFFER OF OFFERED PRICE:** The trading price proposed by the prospective seller of securities (also called the asked or asking price).

**OPEN MARKET OPERATIONS**: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PORTFOLIO**: Collection of financial assets belonging to a single owner.

**PREMIUM:** The amount by which the price for a security is greater than its par amount.

**PRIMARY DEALER**: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unrelated firms.

**PRUDENT PERSON RULE**: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state - the so-called *legal list*. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**QUALIFIED PUBLIC DEPOSITORIES**: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**RATE OF RETURN**: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**REINVESTMENT RISK:** The risk that all or part of the principal may be received when interest rates are lower than when the security was originally purchased, so that the principal must be reinvested at a lower rate than the rate originally received by the investor.

**REPURCHASE AGREEMENT (RP OR REPO)**: See Master Repurchase Agreement.

**SAFEKEEPING**: A service rendered by banks whereby securities and valuables of all types and descriptions are held by the bank.

**SEC RULE 15C3-1**: See uniform net capital rule.

**SECONDARY MARKET**: Markets for the purchase and sale of any previously issued financial instrument.

**SECURITIES & EXCHANGE COMMISSION (SEC)**: The federal agency with responsibility for regulating financial exchanges for cash instruments.

**SPREAD OVER TREASURIES:** The difference between the bond equivalent yield for any investment and the bond equivalent yield for a Treasury investment with the same maturity.

**TREASURY BILLS (T-BILLS)**: Short-term obligations issued by the U.S. Treasury for maturities of one year or less. They do not pay interest but are issued on a discount basis instead.

**TREASURY BONDS (T-BONDS)**: Long-term obligations issued by the U.S. Treasury with initial maturities of more than ten years.

**TREASURY NOTES (T-NOTES)**: Medium-term obligations issued by the U.S. Treasury with initial maturities of from one to ten years.

**UNIFORM NET CAPITAL RULE**: Securities and Exchange Commission requirement that member firms as well as non-member broker dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*. Indebtedness covers all money owed to a firm including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicate. *Liquid capital* includes cash and assets easily converted to cash.

**YIELD**: Loosely refers to the annual return on an investment expressed as a percentage on an annual basis. For interest-bearing securities, the yield is a function of the rate, the purchase price, the income that can be earned from the reinvestment of income received prior to maturity, call or sale. Different formulas or methods are used to calculate yields.

## XIX. Appendix D: Investment Policy Attachments

**Attachment # 1**

**VILLAGE OF GLENVIEW, ILLINOIS**

**CERTIFICATE OF COMPLIANCE**

THE UNDERSIGNED, BEING FIRST DULY SWORN ON OATH, DEPOSES AND STATES AS FOLLOWS:

1. That the undersigned has authority to make this certification on behalf of the bidder.

______________________________________________________________

Name of Company

2. That the undersigned has read the contents of the Village's Investment Policy which are contained herein.

Authorized Signature

______________________________

Type or Print Name

______________________________

Title

____________________________________________

Instructions: This is to be completely filled out and executed by the chief officer or the individual authorized to submit the certification.

**Attachment # 2**

**GFOA Recommended Practice**
**Collateralization of Public Deposits (1984, 1987, 1993, 2000, and 2007) (CASH)**

**Background.** The safety of public funds should be the foremost objective in public fund management.
Collateralization of public deposits through the pledging of appropriate securities or other instruments (i.e. surety bonds or letters of credit) by depositories is an important safeguard for such deposits. The amount of pledged collateral is determined by a public entity's deposit level. Some states have established programs for the pooling of collateral for deposit of public funds.

Federal law imposes certain limitations on collateral agreements between financial institutions and public entities in order to secure public entity deposits. Under certain circumstances, the Federal Deposit Insurance Corporation (FDIC) may void a perfected security interest and leave the public depositor with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

**Recommendation.** The Government Finance Officers Association (GFOA) recommends the use of pledging requirements as protection for state or local government's deposits. GFOA encourages state and local governments to establish adequate and efficient administrative systems to maintain such pledged collateral, including state or locally administered collateral pledging or collateral pools. To accomplish these goals, GFOA recommends the following:

1. Public entities should implement programs of prudent risk control. Such programs could include a formal depository risk policy, credit analysis, and use of fully secured investments. In the absence of a state program for pooling collateral, public entities should establish and implement collateralization procedures, including procedures to monitor their collateral positions. Monitoring informs a public entity of under collateralization, which may threaten the safety of an entity's deposits, and overcollateralization, which may increase the cost of banking services.

2. State and local government depositors should take all possible actions to comply with federal requirements in order to ensure that their security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution. Federal law provides that a depositor's security agreement, which tends to diminish or defeat the interest of the FDIC in an asset acquired by it as receiver of an insured depository, shall not be valid against the FDIC unless the agreement:

    - is in writing;
    - was approved by the board of directors of the depository or its loan committee; and
    - has been, continuously, from the time of its execution, an official record of the depository institution.

3. Public entities should have all pledged collateral held at an independent third-party institution, and evidenced by a written agreement in an effort to satisfy the Uniform Commercial Code (UCC) requirement for control. The UCC states that the depositor does not have a perfected interest in a security unless the depositor controls it. Control means that swaps, sales, and transfers cannot occur without the depositor's written approval.

   - The value of the pledged collateral should be marked to market monthly, or more frequently depending on the volatility of the collateral pledged. If state statute does not dictate a minimum margin level for collateral based on deposit levels (e.g., Georgia and Minnesota statutes require 110 percent), the margin levels should be at least 102 percent, depending on the liquidity and volatility of the collateral pledged. State statutes also govern whether minimum margin levels apply to principal only or to accrued interest as well. Public entities should review applicable state statutes and confirm compliance.

   - Substitutions of collateral should meet the requirements of the collateral agreement, be approved in writing prior to release, and the collateral should not be released until the replacement collateral has been received.

4. The pledge of collateral should comply with the investment policy or state statute, whichever is more restrictive.

5. Public entities that use surety bonds in lieu of collateral should limit the insurers to those of the highest credit quality as determined by a nationally recognized insurance rating agency.

6. The public entity should review the terms and conditions of any letters of credit, including those issued by a federal agency or government sponsored enterprise.

**Note:** As a result of the court case North Arkansas Medical Center v. Barrett, 963 F.2d 780 (8th Cir. 1992), the FDIC issued a policy statement in March 1993 indicating that it would not seek to void a security interest of a federal, state, or local government entity solely because the security agreement did not comply with the contemporaneous execution requirement set forth in Section 13(e) of the Federal Deposit Insurance Act 12 U.S.C. 1823(e). The policy statement was officially enacted by Section 317 of the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law 103-325).

**References:**

- GFOA Sample Security Agreement, 1995.
- GFOA Sample Custodial Trust Agreement, 1995.

- *An Introduction to Collateralizing Public Deposits for State and Local Governments*, M. Corinne Larson, GFOA, 2006.
- *Investing Public Funds*, Second Edition, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.


Approved by the GFOA's Executive Board, October 23, 2007.

**Attachment # 3**

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Recommended Practice

**Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools**

As the investment portfolios of state and local governments are subjected to increased scrutiny, it is essential that reporting standards be enhanced so that investors, governing bodies and the public remain informed of the current market value of the portfolio. Regular disclosure of the value of a governmental entity's investments is an important step to furthering taxpayer and market confidence in state and local government investment practices.

The Government Finance Officers Association (GFOA) recommends that state and local government officials responsible for investment portfolio reporting should determine the market value of all securities in the portfolio on at least a quarterly basis. These values should be obtained from a reputable and independent source and disclosed to the governing body or other oversight body at least quarterly in a written report. It is recommended that the report include the market value, book value and unrealized gain or loss of the securities in the portfolio.

Many state and local government officials are allowed to invest in various state and local government investment pools available in their state or region. Pool administrators should, on at least a monthly basis, determine the market value of all securities in the pool and report this information to all pool participants on at least a quarterly basis. These values should be obtained from a reputable and independent source. This information should be included in the report to the governing body prepared on at least a quarterly basis.