CALENDAR YEAR 2027 MAJOR FINANCIAL POLICIES

The following is an outline of all policies that govern the Village of Glencoe's fiscal and financial decision making. They are considered, updated and approved by the Village Board annually. They are listed below in no specific order.

FUND BALANCE POLICY

An appropriate level of fund balance reserve is established for each of the Village's major funds based on the projected stability and predictability of the underlying revenues and expenditures. Reserves are established to:

1) Provide for temporary funding of unforeseen needs of an emergency or non-recurring nature;
2) Permit continued operations in the event of unanticipated revenue shortfalls;
3) Provide for unexpected increases in service delivery costs, or settlement of litigation or pending labor contract negotiations; and
4) Allow for an expenditure related to a high priority, non-recurring infrastructure or capital-related improvement.

The use of fund balance as a financing source is acceptable if the fund balance is determined to be in excess of the minimum fund balance targets, or in the case of an emergency. It is the policy of the Village to maintain an undesignated, unreserved fund balance in the **General Fund** that 25% of current operating expenditures, excluding capital, which equates to ~~$6,171,132~~$6,555,071 in Calendar Year ~~2025~~2026.

The minimum target for the **Water Fund** is the greater of 10% of current operating expenditures or two months of operating expenditures with no absolute dollar minimum. The fund balance of the Water Fund will be measured using unrestricted net assets as stated in the annual audit. The Village will maintain fund balance as the percentage that the unrestricted net asset balance represents 10% of the total operating expenditures of the Water Fund, including depreciation which equates to ~~$354,283~~$393,455 in Calendar Year ~~2025~~2026.

The Village will maintain a minimum balance in the **Golf Club Fund** of 40% of operating expenses or no lower than $750,000.

The Village will maintain a minimum balance in the **Debt Service Fund** of 25% of the required December principal and interest payments or a minimum of $25,000, whichever is less.

The Village will not require a minimum fund balance for the **Motor Fuel Tax or Capital Projects Funds**. Since the entire balance of these funds is designated to be expended on road programs or major capital projects and is often funded in whole or in part by General Obligation Bonds over the span of several years, the collective fund balance may be used entirely for these designated purposes.

The use of fund balance in excess of minimum fund balance targets is allowable, and the Board annually reviews projections to determine how excess, or one-time revenues may be used (property tax abatement, capital projects and new special projects). It is critical that the use of excess resources be prioritized, particularly in a year in which excess resources may need to be earmarked for a specific use.

Any anticipated surplus funds generated from revenue shall be designated in a contingency account to fund operations during any time periods in which there could be a potential cash shortfall due to the timing of revenue receipts or any one-time capital needs. Additionally, any surplus generated from one-time increases in building permit revenues will be designated to fund future capital projects.

Lastly, any planned use of fund reserves shall be specifically identified in the budget when it is anticipated in advance, so it is transparently displayed within the budget document.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027, other than the minor updates outlined above.

BALANCED BUDGET POLICY

It is the policy of the Village to adopt an annual budget that is balanced. The budget is adopted at the legal level of budgetary control, which is at the Fund level. The guiding principle of a budgetary policy is to achieve structural balance between revenues and expenditures to ensure that desired service levels are provided on a sustainable basis. The Village's policy is to adopt a balanced annual operating budget to ensure that revenues match operating expenditures for the fiscal year.

The use of fund balance as a financing source is acceptable if the fund balance is determined to be in excess of the minimum fund balance targets, or in the case of an emergency. Excess fund balance may be used to:

1) Fund one-time capital projects, thereby avoiding debt;
2) Abate annual debt service on outstanding obligations; or,
3) Pay down outstanding obligations, such as costs related to outstanding pension liabilities or Other Post-Employment Benefits (OPEB).

The Village maintains a budgetary control system in which individual departments are responsible for controlling expenditure levels within their respective budgets, which enables the municipality as a whole to adhere to the adopted budget. The Village also prepares monthly financial reports that are reviewed with the Finance Committee, which compare actual revenues and expenditures to budgeted amounts.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027.

PROPERTY TAXES – GENERAL AND PENSION LEVY

Since the implementation of the Property Tax Extension Limitation Law (PTELL) in 1994, the Village has had a policy of levying property taxes for its General Corporate Levy and Pension Levy at the maximum allowed under the law, which is the lesser of 5% or the change in the national Consumer Price Index for the year preceding the levy year. Please note, levies associated with outstanding General Obligation Bonds are ***excluded*** from this limitation.

Following voter approval of a home rule referendum in November 2024, the Village Board approved an ordinance codifying its intent to continue to abide by the PTELL limit even though the limit no longer applies to the Village as a home rule municipality. Two exceptions were identified by the Village Board via ordinance that would allow a recommend an increase in the levy in excess of PTELL:

1. the Corporate Authorities of the Village determine that a bona fide emergency or legal requirement requires the approval of such an increase; or
2. the electors of the Village have approved such an increase through an advisory referendum.

Property taxes comprise more than 51% of the Village's revenue budget and remain a relatively stable source of revenue during tough economic climates. Excluding debt, t~~T~~he ~~2025~~ 2026 Tax Levy (collected in Calendar Year ~~2026~~2027) will increase by approximately ~~2.9~~2.7% over the prior year, subject to final adjustments for any changes in equalized assessed value.

Beginning in 2026, the Village began levying the full required Police Pension contribution through the annual property tax levy to provide greater transparency regarding the cost of the pension on property tax bills. If property tax revenues collected are insufficient to fully fund the required annual contribution, the Village will make a final contribution from the General Fund at the end of the calendar year to satisfy the remaining obligation.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027 other than the minor updates outlined above.

PROPERTY TAXES - ABATEMENT OF DEBT SERVICE LEVY

The schedule of annual property tax levies for payments on outstanding debt (debt service) is established at the time of borrowing when a bond ordinance is approved by the Village Board. The ordinance is then filed with Cook County, which automatically levies the amount in the approved ordinance each year unless the Village submits an abatement ordinance. An abatement ordinance is valid for a single year and may reduce or eliminate all or a portion of annual property tax levy (request for funds) to be used to make payments on outstanding debt in that year. An abatement of the property tax levy is optional, and if elected, would be completed in the first quarter of the year if the Village anticipated having sufficient fund reserves, cash balances or operating revenues available to make these payments without requiring a levy for the full amount of the debt payments owed in the current year. In the past, the Village has abated the property tax levy related to outstanding alternate revenue source debt for bonds issued related to Water Fund projects.

The Village elected to utilize its limited tax authority to issue General Obligation Bonds *(prior to obtaining home rule status)* for the Tudor Court street and streetscape improvements, and the annual payment on this bond will be added to the current year tax levy. As part of the discussion of financing this project, it was decided that the debt service on these bonds be reviewed annually to determine whether these payments will be funded through the property tax levy or abated and paid from other operating revenues.

Additionally, the Village issued General Obligation Alternate Water Revenue Source Bonds in 2020 and 2023. The debt service for these bond issues will be paid from ongoing water revenues. This means that the debt service payment for the Series 2020A General Obligation Alternate Water Revenue Source Bonds *(ARS Bonds)* ~~and for the~~ Series 2023A General Obligation ARS Bonds and a portion of Series 2026A General Obligation Bonds will be abated and paid from Water Fund revenues, as these bond issues were entirely dedicated to fund Water Fund infrastructure projects. The total of aggregated payments will be ~~$510,000~~$765,930 through the end of Calendar Year ~~2026~~2027.

The ~~2025~~ 2026 Tax Levy (collectible in Calendar Year ~~2026~~2027) for debt service on remaining General Obligation Bonds (including Series 2015A, 2016B, 2019A, 2020 Refunding Series, 2021A,2023B – Golf Referendum Bonds, 2024 GO Referendum Bonds, ~~and~~ 2025 Golf General Obligation Bonds, a portion of the 2026A and the entirety of the 2026B General Obligation Bonds) are ***not*** recommended for abatement, understanding that limited resources are available from the General Fund for the payment of outstanding debt. In contrast to the ARS Bonds, the remaining bond issues funded non-Water Fund related projects and must be repaid from General Fund revenues or the Debt Service Levy.

RECOMMENDATION

- Staff recommends that the debt service payment for the Series 2020A, 2023A General Obligation Alternate Water Revenue Source Bonds *(ARS Bonds)* and a portion of the Series 2026A General Obligation Bonds be abated and paid from Water Fund revenues, as funds from these bond issues were entirely dedicated to fund Water Fund infrastructure projects.
- Staff recommends that the 2026 Tax Levy (collectible in Calendar Year 2027) for debt service on remaining General Obligation Bonds (including Series 2015A, 2016B, 2019A, 2020-Refunding Bonds, 2021 Referendum Bonds, 2023 Golf Referendum Bonds, 2024 Referendum Bonds, 2025 Golf General Obligation Bonds, a portion of the 2026A and the entirety of the 2026B General Obligation Bonds) not be abated, understanding that limited resources are available from the General Fund for the payment of outstanding debt. In contrast to the bonds issued for water projects, the remaining bond issues funded non-Water Fund related projects and must be repaid from General Fund revenues, Golf revenues or the Debt Service Levy.

MANAGEMENT FEES

The Village charges a management fee for the Village costs of assistance to the Glencoe Golf Club and the Water Fund. The Water Fund Management Fee is collected on a monthly basis. The past policy for the Glencoe Golf Club was to accrue the fee but not collect the fee. Actual collection of the Golf Club Management Fee is determined towards the end of the fiscal year. Annually, the Village Board reviews the management fee structure as part of the budget development process and determines whether the fee is appropriate based upon the cost of providing services.

Since Fiscal Year 2007, the amount of golf management fee payable and loans from cash shortfalls in prior years grew from $325,905 to $493,645 (this amount excludes interest and amounts owed to the Village for other purposes). In 2021, the Village Board approved a forgiveness schedule for the outstanding management fee payable and loan payable from the Golf Club.

As part of the ~~2026~~ 2027 fee and fine analysis, staff will evaluate the calculation of the management fee for the Golf Club and the Water Fund to determine whether the fee adequately recovers the actual cost of management/ administrative services provided, and/or whether an alternative fee calculation methodology can be developed. The Calendar Year ~~2026~~ 2027 budget will include both Water Fund and Golf Club Management Fees and an additional analysis will be conducted to ensure that the Village is recovering the actual cost of management/administrative services provided.

RECOMMENDATIONS

- Staff recommends retention and collection of both the Water Fund and Golf Club Management Fees.
- Staff further recommends that as part of the Calendar Year 2027 budget process, an analysis be conducted to determine whether the current management fee for the Golf Club and the Water Fund adequately recover the actual cost of management/administrative services provided, especially in anticipation of the new golf club opening.

FORGIVENESS OF AMOUNT DUE TO THE VILLAGE FROM THE GLENCOE GOLF CLUB

Between 2001 and 2020, the Village provided various forms of financial support to the Glencoe Golf Club including loans for cash shortfalls and deferring payment of management fees due to the General Fund. The Village Board's reasoning for providing this financial support ranged from sustaining day-to-day operations to allowing accrued resources for eventual construction of a clubhouse and other needed improvements.

The Village Board determined that forgiveness of this outstanding debt was warranted and appropriate. Maintaining cash balances and methodically eliminating this outstanding debt serves to allow the funding of operations during off-season months and can be utilized to reinvest back into the course, which lessens the burden on the Village's Community Investment Program financing needs. In addition, forgiveness of the outstanding debt plays a key role in successful fundraising for the upcoming Golf Club Clubhouse Project. As part of this project, several improvements are planned that are anticipated to increase current revenue levels and create new revenue streams in the future. Upon forgiveness of the loan, the current cash balance in the Golf Fund may be combined with these future revenue sources to assist in repaying any future debt issuance that may be completed to finance the Golf Club Clubhouse project.

In consideration of the cash flow needs of the Golf Club and in support of the future Golf Club Clubhouse Project, the Board has adopted a formal forgiveness plan for this long-term debt and is committed to reexamine the current management fee structure to ensure that any future arrangements are reasonable and sustainable.

The Golf Club Loan is hereby forgiven subject to the following provisions:

- forgiveness of debt shall be allocated in equal installments over a 10-Year period, per the schedule below;
- no additional interest shall accrue on the remaining balance throughout the duration of the forgiveness schedule; and
- the continued vitality of the Golf Club shall be taken into consideration with the calculation of any future management fee or revenue sharing calculations.

With the exception of an extraordinary circumstance(s), the Golf Club Fund debt shall be forgiven in accordance with the following schedule:

10-Year Forgiveness Plan		
Calendar Year	Forgiveness	December 31 Balance
2020	-	1,855,895
2021	185,585	1,670,310
2022	185,590	1,484,720
2023	185,590	1,299,130
2024	185,590	1,113,540
2025	185,590	927,950
2026	185,590	742,360
2027	185,590	556,770
2028	185,590	371,180
2029	185,590	185,590
2030	185,590	-

RECOMMENDATION

• Staff does not recommend changes to this policy for Calendar Year 2027

FUNDING POLICE PENSION OBLIGATIONS

By policy, the Village funds its pension obligations based upon actuarially determined funding requirements. The maximum allowable amount that may be levied for pensions is funded through the Village's property tax levy. Any gap in funding between the levy and the required contribution has, to date, been from fund balance or other funding source in the General Fund. To fund the difference in contributions from the actuarial requirement and the allowable property tax levy, the Village transfers the remaining required contributions ~~on a monthly basis in twelve equal installments. A~~at the end of the year.~~, the Village will adjust the final contribution payment to ensure that the full required contribution is completed.~~

Funding alternatives can have the following goals:

1) **Actuarially Determined Contributions** - Ensure pension funding plans are based on actuarially determined annual required contributions (ARC) that incorporate both the cost of current benefits and the amortization of the plan's unfunded actuarial accrued liability.
2) **Funding Discipline** - Build funding discipline into the policy to remit timely contributions to the pension funds to ensure that sufficient assets will be available to pay benefits as promised.
3) **Intergenerational Equity** - Maintain intergenerational equity so that the cost of benefits is paid by the generation of taxpayers who receive services from pension participants.
4) **Contributions as a Stable Percentage of Payroll** - Contributions should be managed so that employer costs remain consistent as a percentage of payroll over time.
5) **Accountability and Transparency** - Clear reporting of pension funding should include an assessment of whether, how and when the Village will ensure sufficient assets will be available to pay benefits as promised.

The annual required contribution will be determined using the following principles:

1) The ***Annual Required Contribution (ARC)*** will be calculated by an enrolled actuary.

2) The ARC will include the normal cost for current service, amortization of any unfunded liability~~,~~ and an estimate of the annual cost to administer the fund.
3) The ***Normal Cost***, or the current annual cost of operating the pension fund each year, will be calculated using the entry age normal level of percentage of payroll actuarial cost method using the following assumptions:
    a. The investment rate of return assumption will be 6.5% per year.
    b. The payroll growth assumption has been phased down to 2.5% per year.
    c. Non-economic assumptions, such as rates of separation, disability, retirement, mortality, etc., shall be determined in accordance with Illinois Compiled Statutes and/or tables from experience studies to most accurately reflect current experience. Examples include the following:

        - Rates of disability among active members
        - Rates of retirements
        - Rates of mortality

4) The difference between the ***Actuarial Accrued Unfunded Liability (UAAL)*** and actuarial value of assets will be amortized over an open 15-year period. Previously, this liability was amortized over a closed amortization period to achieve 100% funding by 2040. ~~The Village's transition from a closed amortization period to an open 15-year period will be phased in using one-year increments. The current amortization period is set at 16 years~~.
5) Actuarial assets will be determined using a smoothing method to reduce the effects of market volatility on the Village's contributions. A ***five-year smoothed market value*** method will be used to recognize variances from actuarial assumptions from actual market returns.
6) The contribution will include an estimate of the annual cost to administer the fund. This estimate will simply assume that the prior year administrative expenses will be the same in the current year.

Current Illinois Compiled Statutes require that the Village's Police Pension Fund reach a funded level of 90% by the year 2040, which means that accrued assets in the fund must equal 90% of the calculated UAAL of the fund at that time. While it is anticipated that this date may change, the policy stipulations outlined above are expected to achieve a more sustainable funding level over the long term, develop a feasible plan to begin to pay off the UAAL and minimize volatility in contributions over the long term.

Funding of the Pension Fund shall be transparent to vested parties including plan participants, annuitants, the Police Pension Board, the Village Board and residents. To achieve this transparency, the following information shall be distributed and/or published on the Village's website:

1) A copy of the annual actuarial evaluation for all funds shall be made available to the Village Board and Police Pension Board of Trustees.
2) The Village's annual operating budget shall clearly state the Village's required contribution to the Police Pension Fund. As part of the budget process, the required contribution to the fund shall be reviewed and discussed at an open meeting of the Finance Committee and/of Village Board.
3) The Village's Comprehensive Annual Financial Report reflects the Village's annual required contribution and the value of the outstanding pension liabilities as directed by the Governmental Accounting Standards Board.

In conjunction with the annual examination of the books and records of the Village by an independent certified public accountant, all pension funding documents will be reviewed with the Village's consulting actuary. The annual financial statement will also include information as to the current funded status of all public pension funds examined.

Funding a defined benefit pension plan requires a long-term horizon. Assumptions and inputs into the policy focus on long-term trends, not year-to-year shifts in the economic or non-economic environments. This policy will be reviewed by the Finance Committee every three years. If, in the opinion of the Committee, conditions change to such an extent so as to alter the effectiveness of this policy statement, or it is found that the stipulations above are not sufficiently addressing statutory requirements, such recommended changes to the policy shall be brought to the attention of the Village Board for their consideration and review.

For the Calendar Year ~~2026~~ 2027 Budget, staff has included the Village actuary's recommended contribution of ~~$3,381,397~~$3,573,109, which is a ~~6.9~~5.7% increase from the Calendar Year ~~2025~~ 2026 contribution. The State funding requirement for Calendar Year ~~2026~~ 2027 has not yet been calculated but has historically been significantly lower and not recommended to ensure that progress in paying down the Village's unfunded liability is maintained.

POLICY CONSIDERATIONS

- Changes in department staffing – such as the number of vacant positions and salaries of incumbent employees – may impact the Village's pension funding requirements year to year, particularly as longer-tenured staff retire, lateral transfers occur or when Tier 2 employees are hired into public service for the first time.

- As previously discussed with the Board, several proposals have been introduced by Illinois legislators to roll back all or a portion of Tier 2 benefit reductions. If these benefits are enhanced, the Village may consider updating this funding policy to ensure the long term sustainability of the Fund and ensure affordability of annual contributions.

RECOMMENDATIONS

- Staff recommends using the Village Actuary's required funding amount in the Calendar Year 2027 Budget in accordance with the Village's pension funding policy.

FUNDING FIREFIGHTERS PENSION OBLIGATIONS

Statutorily, the Village is responsible for funding obligations of the Firefighters Pension Fund. This fund is now a terminal fund with no active members. Once there are no beneficiaries in the fund, any resources remaining in the fund will be subject to claim by the State of Illinois. There is currently one remaining dependent of a former firefighter receiving benefits from this Fund.

Annually, the Village determines the required funding of this pension obligation with the assistance of an actuary. At present, the annual pension annuity cost is at about $50,000. The Village will allocate approximately $50,000 in the General Fund towards future obligations. To the extent possible, only taxes that are not subject to tax cap will be levied for the benefit of the Firefighters Pension Fund.

Allocation for the pension fund is included in the general corporate portion of the tax levy. Both the pension and the general corporate portions are subject to self-imposed tax caps. Imposing ~~A~~a separate levy dedicated for Fire Pension would restrict the funds whereas a levy in the General Fund can be used for any purpose.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027

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LIABILITY DEDUCTIBLE POLICY

The Village is a member of a risk management pool, the Intergovernmental Risk Management Agency (IRMA). The Village purchases its general liability and workers' compensation insurance coverage through IRMA, and IRMA provides all claims management services.

When GASB 54 was implemented, it created a requirement that resources intended to be used for reserved liability claims are assigned as a claim on fund balance that would otherwise be unassigned. Village staff monitors its annual IRMA contribution savings due to having a higher deductible versus claim losses. IRMA offers deductible choices from $2,500 to $250,000, providing the Village ample options for deductible level choices in the future.

The Village's prior deductible level of $100,000 allowed the Village to use optional deductible credits instead of excess surplus distributions as a contribution credit. By doing so the Village has accumulated $~~1,910,441~~1,992,960 in excess surplus reserve. Excess surplus is considered in the unassigned fund balance in the General Fund, Water Fund and the Glencoe Golf Club Fund; however, after a comprehensive analysis, the deductible level was reduced to $50,000 per claim on January 1, 2020 and again reduced to $25,000 on January 1, 2026 in an effort to minimize out-of-pocket claim costs for the Village.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027 other than the minor updates outlined above.

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IRMA EXCESS SURPLUS

Each year, IRMA evaluates resources on hand for operations and services. In years where a determination is made that there is an excess beyond need, a member can credit their annual contribution or leave the reserve on hand with IRMA. In the event the Village has an adverse claim year with higher-than-expected deductible losses, the Village can apply accumulated credit to the following year's annual contribution amount.

Since Fiscal Year 2011, the amount on account with IRMA has grown from $90,539 to over $~~1,910,441~~1,992,960 at the end of Calendar Year ~~2024~~ 2025 (total in all funds). IRMA's excess surplus policy allows communities to use their accumulated excess surplus as the member community sees fit. The amounts in excess surplus at IRMA earn interest based on IRMA's investments, which allow greater latitude than statutory limits placed upon on the Village. The Village Board has established a minimum cumulative (all funds) threshold of $300,000 to remain in the fund at all times.

Commented [NL1]: $2,058,310 as of December 31, less $65,350 drawn down for the Public Works safety project - garage lift replacement.

If the Village were to receive a large, unexpected increase to our annual IRMA contribution, the Village could use available excess surplus to offset the cost of the increase. These funds can also be used on safety-related expenditures that were otherwise unbudgeted. ~~Based on direction from the Finance Committee, the Calendar Year 2026 budget includes a drawdown of IRMA reserves of $300,000 to help offset the cost of insurance premiums in the coming year.~~

POLICY CONSIDERATION

- The Village may utilize IRMA reserves to offset ongoing insurance premiums and deductibles while still maintaining the minimum balance of $300,000.

RECOMMENDATION

- Staff recommends that the Village discuss utilizing IRMA excess surplus to offset safety related capital improvements, deductible or premium costs during the Calendar Year 2027 budget process.

INTERFUND TRANSFERS

The interfund transfer policy requires Board approval of budget transfers between Village funds in excess of $50,000. A transfer could be necessary to support Village operations (excluding routine transfers to cover budgeted expenses) due to a revenue shortfall or other unforeseen financial circumstance. Transfers of this nature occur rarely, but they do show up in the monthly financial reports to the Village Board. Communication to the Village Board will be through the monthly financial report or through other methods deemed appropriate by the Village Manager. The policy is intended to reflect interfund budget transfers in a transparent manner.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027.

INCREASES IN FEES AND CHARGES FOR SERVICE

Each year, staff completes a comprehensive fee and fine survey, as well as an evaluation of current costs for certain functions. Recommendations for changes are then made to the Village Board as part of the annual budget development process. By increasing fees appropriately on an annual basis, the Village can avoid large increases in fees in one year and can continue to evaluate the sufficiency of fees to pay for the Village's actual service delivery cost. Forecasted and actual increases in fees will be based on data available including: operating budget increases, Community Investment Program needs and debt requirements.

The Village Board may designate the manner in which it would like to utilize one-time fees, substantial increases in fees that are not expected to become recurring or segregating a portion of fees that are designed for a specific purpose. For example, when the General Services Collections Fee was created, a portion of that fee was designed to offset the impact of garbage collection on Village roadways. A portion of this revenue is set aside to assist in funding the annual road program and is reflected in the annual budget. Additionally, with the anticipated developments, there is a potential for a larger-than-normal increase in permit revenue collections in future years. This projected surplus may be reserved to fund future capital improvements.

The Calendar Year ~~2026~~ 2027 Budget will include~~s~~ additional fee increases based on identified need, which ~~are~~ will be further outlined in the Fee and Fine Schedule.

POLICY CONSIDERATION

- Staff will present recommendations for changes to current fees for service as part of the development of the Calendar Year 2027 Budget.
- Staff will continue to evaluate the sufficiency of fees to pay for the Village's actual service delivery cost.

RECOMMENDATION

- Staff will recommend additional increases based on identified need to be included in the Proposed Calendar Year 2027 Budget.
- Staff will also be conducting a comprehensive review of the fee and fine schedule as part of the Calendar Year 2027 budget process to ensure that all necessary fees and fines are included.

FINANCIAL PLANNING AND FORECASTING

Annually, the Village updates its financial forecast (which provides a five-year projection) and the Village will update its Community Investment Program (CIP) (which provides a 10-year projection with identified funding sources). The purpose of the financial planning is to forecast the impact of existing policies, practices and levels of service on the financial condition of the Village.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027.

MAINTAINING LEGAL ~~APPROPRIATIONS~~SPENDING LIMITS AND BUDGET AMENDMENTS

Expenditures of the Village are officially established by the ~~Appropriation~~ Budget Ordinance approved by the Village Board. ~~In addition, although not legally required, the Village adopts a line-item budget to track revenues and expenditures.~~ The ~~Appropriation~~ Budget Ordinance sets the legally authorized level of spending~~, which is approximately 110% of the governmental or enterprise fund budget~~. As established by ordinance, the Village's budget officer is responsible for adherence to the legally adopted budget.

Throughout the fiscal year, actual expenditures are compared to the established expenditure limits in order to determine if the ~~appropriation or~~ budget needs to be amended. Where possible, amendments to increase the expenditure ~~appropriations and/or~~ budgets will be transferred from available allocations in other accounts where actual expenditures are projected to be less than the ~~appropriation or~~ budget (resulting in a net $0 change in the overall authorized appropriation or budget), or where revenues are received in amounts higher than the budget ~~or appropriation~~. Consideration may also be given to create a budget amendment when department level expenditures are anticipated to exceed budgeted levels in lieu of waiting until the governmental or enterprise fund level expenditures may exceed the adopted budget.

RECOMMENDATION

- Staff recommends updating this policy as outlined above to align with the Village's transition from an appropriations system to a budget officer system and ensure consistency with its current budgetary practices

FIXED ASSET CAPITALIZATION POLICY

In order to properly record the purchase of assets in accordance with Generally Accepted Accounting Principles (GAAP) and requirements from the Governmental Accounting Standards Board (GASB), the Village must capitalize certain expenditures each year. Capitalization is an accounting method in which the purchase of an asset is expensed over the useful life of that asset, rather than being expensed in the period the cost was originally incurred. Capital assets may include property, plant, equipment, infrastructure assets (e.g., roads, bridges, storm water) and intangibles (software and easements).

The purpose of this policy is to establish a uniform capitalization policy that complies with financial reporting requirements. Historically, the Village has capitalized assets purchased or acquired with an original cost of $10,000 to $100,000 or more, depending on asset class, and reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	**Useful Life**
Building and Improvements	45 Years
Vehicles	5-20 Years
Machinery and Equipment	5-20 Years
Infrastructure	40-50 Years
Water Transmission System	50 Years
Golf Course Improvements	20 Years

The Village utilizes the following capitalization categories and thresholds:

Asset Class	**Capitalization Threshold**
Building and Improvements	$ 100,000
Vehicles	$ 25,000
Machinery and Equipment	$ 25,000
Infrastructure	$ 100,000
Water Transmission System	$ 100,000
Golf Course Improvements	$ 10,000
Golf Course Equipment	$ 10,000

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027.

IPBC RESERVE FUND

The Village participates in the Intergovernmental Personnel Benefits Cooperative (IPBC), a public sector health insurance pool. In the IPBC, the Village is a member of a sub-pool comprised of smaller entities that further shares risks and governance responsibilities within the IPBC.

The IPBC has three separate funds in which member municipalities can accumulate fund balance:

a) the Administration Fund, from which plan administration fees are paid;
b) the Benefit Fund (from which PPO claim expenses are paid) and
c) the Terminal Reserve (unrestricted reserves).

Fund balances accumulate in the Administration and Benefit Funds when payments made by the Village exceed the cost of claims, and fund balance accumulates in the Terminal Reserve when the Village's sub-pool receives HMO surplus dividends, or when fund balance is transferred by the municipality from the Benefit Fund to the Terminal Reserve Fund.

Because the Administration and Benefit Funds are used to pay expenses during the plan year, the IPBC requires member municipalities to meet minimum fund balance requirements.

The requirements are as follows:

Village IPBC Account	Minimum % of Operating Expenditures
Administration Fund	16 2/3%
Benefit Fund	16 2/3% - 50%
Terminal Reserve Fund	None

For the IPBC plan year ending June 30, ~~2025~~2026, the Village's meets the minimum fund balance requirements in the Administration Fund and the Benefit Fund. The Benefit Fund balance obligation may be met with a combination of Benefit Fund and Terminal Reserve fund assets; the Village's unaudited plan year-end combined Benefit Fund and Terminal Reserve assets exceed this minimum. The IPBC allows member municipalities to maintain their assets in Terminal Reserve to offset future health insurance expenses or withdraw assets to use for any purpose determined by the municipality.

As part of the budget process each year, the Village may consider using the IPBC fund balance in excess of required minimums to mitigate health insurance expenses, funding wellness initiatives, or funding employee benefit programs.

POLICY CONSIDERATION

- For the most recent IPBC plan year ending June 30, the Village's meets the minimum fund balance requirements in the Administration Fund and the Benefit Fund. The Benefit Fund balance obligation may be met with a combination of Benefit Fund and Terminal Reserve fund assets; the Village's unaudited plan year-end combined Benefit Fund and Terminal Reserve assets ***exceed*** this minimum.
- The Village may consider using the IPBC fund balance in excess of required minimums to mitigate health insurance expenses, funding wellness initiatives, or funding employee benefit programs.

RECOMMENDATION

- Staff recommends the Village discuss using IPBC fund balance to offset insurance, wellness or benefit costs during the Calendar Year 2027 budget process if needed.

DONATION ACCEPTANCE POLICY

The Village may accept donations or sponsorships that are consistent with the Village's strategic vision to provide innovative, responsive and high-quality public services in an environmentally and fiscally sustainable manner. These donations or sponsorships may be accepted from individuals, partnerships, corporations, foundations or government agencies, provided that no conflicts of interest exist under Federal, State or Village ethics legislation or this policy. In accordance with the Village's ethics ordinance (Ordinance No. 06-01-3143), the acceptance of donations shall not interfere with *"…conduct[ing] Village business with integrity and impartiality, without allowing prejudice, favoritism or the opportunity for personal gain to influence their decisions or actions or to interfere with serving the public interest."* This policy applies exclusively to the operations of the Village of Glencoe and does not include the activities of any affiliated agencies.

For the purposes of this policy, the following definitions shall apply:

Donation: a monetary gift, tangible item or discounts on tangible items or services at below market value given to the Village to assist with operations or purchases without the expectation of receiving anything in return.

Employee: an individual that is actively paid to work for the Village of Glencoe.

Officer: any appointed or elected official of the village, regardless of whether the official is compensated; provided, however, that a member of a task force, blue ribbon committee or similar group that is established solely for the purpose of advising the Village Board on policy issues be excluded

Sponsorship: financial assistance given to the Village to support a specific event or cause, with the expectation of recognition or marketing or branding on the part of the Village of Glencoe.

Task Force or Commission: an official group of individuals appointed to a particular function or duty through the Village code of ordinances, Charter or action taken by the Village Board of Trustees for the Village of Glencoe.

The Village shall not accept donations or sponsorships from ~~as~~ any person or entity who:

a) Is seeking official action by the Village or by an officer or employee of the Village;
b) Is actively seeking to do business with the Village or with an officer or employee of the Village;
c) Has interests that may be substantially affected by the performance or non-performance of the official duties of the Village or an officer or employee of the Village; or
d) Is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act and conducts business before the Village Board or Village Commission.

The Village may accept unrestricted donations and donations for specified programs and purposes, provided that such contributions are consistent with the Village's strategic priorities. The Village will not accept donations that are too restrictive in purpose, such as those that violate the terms of the corporate charter or donations that are deemed too difficult to administer.

In general cash donations may be accepted if they do not violate any other section of this policy, particularly if donations are given to support a Village endorsed event, cause or capital expenditure. Donations and sponsorships in excess of $5,000 must be reviewed by the Finance Committee before acceptance due to potential liabilities that may be created upon acceptance. Examples of donations to be reviewed regardless of dollar threshold include but are not limited to real property, personal property or securities. Staff and/or the Finance Committee may seek the advice of legal counsel in matters relating to acceptance of donations when appropriate.

Any donation that seeks naming rights for an amenity, building, room, structure, or infrastructure that will ultimately be owned by the Village will be limited to the useful life of the underlying asset. The Finance Committee must review and approve any donation of more than $25,000 to name a specific Village asset prior to acceptance of a donation.

Any formal solicitation of donations or sponsorships by the Village staff, Village Commission or Task Force must be first reviewed and approved by the Finance Committee. Such a program must adhere to all aspects of this policy and may be subject to further restriction or direction from the Finance Committee.

Once accepted, donations will be promptly recorded in the Village's financial system, providing a receipt to the donor as applicable. To avoid any potential liability, the Village will not provide tax advice on the provision of a donation.

The Village may also accept unrestricted sponsorships for specified programs or purposes as outlined in the Village's budget, strategic plan, or as otherwise directed by the Village Board. Any new or substantial changes to existing sponsorship program(s) *(such as that for the Village's annual Light the Lights event)* shall be presented to the Finance Committee for review and approval before implementation. Sponsors shall be publicly recognized in accordance with any approved sponsorship program.

The Village may also accept donations from the Friends of the Glencoe Golf Club (FGGC) for donations related to improvements at the Glencoe Golf Club or surrounding property. The Finance Committee will review any donation of more than $25,000 from the FGGC prior to acceptance.

The Village may also accept donations from the Glencoe Public Safety Foundation (GPSF), for donations related to advanced training and essential equipment and resources to promote public safety in Glencoe. The Finance Committee will review any donation of more than $25,000 from the GPSF prior to acceptance. All donations less than $25,000 from the GPSF will be promptly recorded and reported to the Finance Committee at least once per year.

POLICY CONSIDERATION

- As the Golf Clubhouse project continues, ensuring that there is a clear understanding of how the Friends of Glencoe Golf Club's fundraising efforts align with the Village's donation policy is particularly important. Naming rights, or even large donations, may have significant considerations and that should be a transparent process for the Village to receive any financial resources to offset the cost of the project.

- Similarly, as the Glencoe Public Safety Foundation expands its fundraising efforts, it is important to maintain transparency with the Finance Committee regarding how such donations may or may not influence the Village's ongoing operating or capital budget.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027.

SURPLUS PROPERTY POLICY

As a matter of operations, the Village of Glencoe must from occasionally dispose of municipal property that has exceeded its useful life or has been damaged beyond repair. As a matter of practice, an ordinance is presented to the Village Board to authorize the proper disposal of such property no more than twice per year, typically aligned with the budget process and in accordance with the procedures set forth in the Illinois Municipal Code (65 ILCS 5/11-76-4).

For the purpose of this policy, surplus property is defined as any Village-owned tangible property that is no longer needed or useful for municipal operations. This includes, but is not limited to, outdated or inoperative equipment, obsolete electronic devices, damaged furnishings and other materials and supplies.

To promote efficiency and reduce the administrative and logistical burden associated with the storage and disposal of low-value surplus property, the following procedures are followed with property with market values below thresholds defined below.

The Village Board may dispose of any personal property, including materials, supplies and equipment, owned by the Village with a current estimated value greater than $1,000 that, in the Village Board's determination, is no longer necessary or useful to the village by ordinance duly adopted. The Village Board may also authorize the donation of any personal property, including materials, supplies and equipment, owned by the Village that, in the Village Board's determination, is no longer necessary or useful to the Village by ordinance. The ordinance may direct a specific method of disposal or grant the Village Manager the authority to dispose of the surplus property by any manner the Village Manager determines will provide the greatest economic value to the Village.

Pursuant to this policy, the Village Manager is authorized to dispose of surplus personal property with a current estimated value of $1,000 or less per item without prior approval of the Village Board. The Village Manager shall determine whether the property is no longer necessary or useful to the Village and shall dispose of the property in a manner that yields the greatest economic benefit. Acceptable methods of disposal may include sale, trade-in, donation to a non-profit or governmental entity, recycling or other cost-effective means of disposal. If the Village Manager determines that the property has no economic value, the item(s) may be discarded or otherwise disposed of in the most efficient and environmentally responsible manner.

The Village shall maintain a record of all surplus property disposed of under this policy, including a description of the item, estimated value, method of disposal, and date of disposition. A summary report of such activity will be provided to the Finance Committee on an annual basis or upon request.

RECOMMENDATION

- Staff does not recommend changes to this policy for Calendar Year 2027.

INVESTMENT POLICY

This policy is intended to outline the requirements and restrictions for the efficient management of the Village's cash and for prudent investment of the Village's Funds.

The investment policies and practices of the Village of Glencoe are based upon Federal, State, and Local law, prudent money management and the best practices recommended by the Government Finance Officers Association (GFOA). The primary goals of these policies are:

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1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the Finance Director/Treasurer,
2. To protect the principal monies entrusted to the Village, and
3. To generate the maximum amount of investment income within the parameters of this Investment Policy.

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All participants in the Village's investment process (including appointed and elected officials) shall act responsibly and professionally as custodians of the public trust. Investment officials recognize that the investment portfolio is subject to public review and evaluation.

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SCOPE

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This investment policy applies to the investment of available assets of all Village funds with the exception of the Village's Police Pension Fund. Except for cash in certain restricted and special funds, the Village will consolidate cash and reserve balances from all funds to the extent possible or allowable by law to maximize investment earnings and increase efficiencies associated with investment pricing, safekeeping and administration.

The investment policies for the various pension funds with which the Village is required to participate (including the Illinois Municipal Retirement Fund (IMRF) and the Glencoe Police Pension Fund) will be as determined by the appropriate governing bodies and will not be covered by this Policy.

Funds set aside to decrease Village debt in conjunction with an advance refunding agreement shall be invested in accordance with appropriate debt or bond documents and not necessarily in compliance with this policy. Should debt or bond covenants be more restrictive than this policy, funds will be invested in full compliance with those restrictions.

All investments of the Village of Glencoe must be made in compliance with Federal, State and Local law and in accordance with applicable legal interpretations. Investment of any tax-exempt borrowing proceeds and of any debt service funds must comply with any Internal Revenue Service (IRS) regulations that apply to the debt issued.

DELEGATION OF AUTHORITY

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The Finance Director/Treasurer (or their designee) is the designated investment officer for the Village. The Finance Director/Treasurer shall be responsible for the operation of the investment program consistent with this investment policy and approved by the Village Manager. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. The Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Upon execution of a written agreement, the Village may delegate authority to an Investment Advisor to invest any public funds. Such Investment Advisor must be registered under the Investment Advisors Act of 1940.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director/Treasurer and approved by the Village Manager.

PRUDENCE

Investments shall be made with judgment and care with the same prudence, discretion and intelligence as used in the management of investment officers' 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 officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with 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.

ETHICS AND CONFLICTS OF INTEREST

Investment officers and their designees shall abide by the Village of Glencoe Ethics ordinance and conflict of interest provisions. All officers must refrain from personal business activity that could conflict with proper execution and management of the investment portfolio, or that may impact their ability to make impartial decisions. Investment officials shall disclose any material interest in financial institutions with which they conduct business. Investment officials shall also refrain from undertaking personal investment transactions with those entities managing investments on behalf of the Village.

OBJECTIVE

Funds of the Village will be invested in accordance with the Municipal Code of Illinois, these policies, and administrative procedures.

The primary objectives, in order of priority, of the Village of Glencoe investment activities are as follows:

Legality: The Village's investments shall be held in compliance with all statutes governing the investment of public funds.

Safety: Investments of the Village shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments. The objective will be to mitigate credit risk and interest rate risk.

Credit Risk: Credit risk is the risk of loss of all or part of an investment due to the failure of the security issuer. The Village will minimize credit risk by:

- Limiting investments to high quality securities authorized under state statutes and Section VIII of this Policy and deposits and financial instruments consistent with state statutes and Section XII of this Policy.

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- Maintaining a list of authorized financial institutions and broker/dealers in accordance with Section VII of this Policy.
- Diversifying the investment portfolio so that the impact of potential losses from any type of security or from any one individual issuer will be minimized in accordance with Section XI of this Policy.

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Interest Rate Risk:

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The Village will minimize interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby reducing the need to sell securities prior to maturity.
- Investing short-term Operating funds primarily in shorter term investments or similar investment pools
- Separately investing longer term Reserves in intermediate and longer maturity investments that meet the long-term needs of the Village
- All investments will comply with maturity restrictions as outlined Section XIII of this Policy.

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Liquidity: The Village's investments shall remain sufficiently liquid to enable the Village to meet all operating requirements that might be reasonably anticipated.

Yield: The Village's investments shall be designed with the objective of attaining a market yield throughout budgetary and economic cycles, taking into account the Village's investment risk constraints and cash flow characteristics.

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AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

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The investment officer will maintain a list of financial institutions authorized to provide investment services. The selection process for inclusion on this list will be based on the provision of audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) certification, proof of state registration, evidence of adequate insurance coverage, and any other relevant factors that may impact the institutions' ability to provide investment services. Investments may only be made in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA).

In addition, a list will be maintained of approved security brokers/dealers selected by creditworthiness. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (otherwise known as the uniform net capital rule), which defines the amount of assets that an entity must maintain to meet their obligations. Employees of any firm or financial institution offering securities or investments to the Village are expected to be trained in the precautions appropriate to public-sector investments and are expected to familiarize themselves with the Village's investment objectives, policies, and constraints. These firms and financial institutions are expected to make reasonable efforts to preclude imprudent transactions involving the Village's funds.

Each broker/dealer shall acknowledge that they have read and will adhere to this investment policy.

AUTHORIZED INVESTMENTS

The Village of Glencoe is empowered to invest in certain types of securities governed by the State of Illinois Public Funds Investment Act, as detailed in 30 ILCS 235/2 as well as other investments authorized by statute. Among the authorized investments are:

1. Bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
2. Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;
3. Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;
4. Municipal bonds issued by a county, park district, sanitary district, or other municipal corporation, or bonds and other interest bearing obligations of the State of Illinois, or of any other state or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law.
5. Obligations of corporations organized in the United States with assets exceeding $500,000,000 if (i) such purchases do not exceed 10% of the corporation's outstanding obligations and (ii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; these obligations consist of Investment Grade Corporate Bonds defined as any bond rated BBB or better by Standard & Poor's or an equivalent rating from Moody's Investors Services or Fitch.
6. Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations described in the Public Funds Investment Act and to agreements to repurchase such obligations;
7. State of Illinois Local Government Investment Pool or other similar pooled investment as authorized by statute; or
8. Any other investments authorized by the Public Funds Investment Act.
9. Asset-backed securities (ABS) whose underlying collateral consists of loans, leases or receivables, including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases, or home-equity loans. ABS must be AAA rated from Standard & Poor's or an equivalent rating from Moody's Investor Services or Fitch.

COLLATERALIZATION

Collateralization shall be required on all deposits, certificates of deposit, and repurchase agreements. In order to provide an adequate level of security for all funds, the amount of collateral provided will be 102% of market value of principal and accrued interest. All amounts deposited or invested with financial institutions in excess of any insurance limit shall be collateralized in accordance with the Public Funds Investment Act. As an alternative, insurance/surety bonds may be used as collateral to ensure certificates of deposit payments of principal and interest at the date of maturity. Insurance/surety bonds may also be used to ensure replacement on checking and money market accounts in case of a financial institution's default.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and

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retained. The bank will provide the Village a monthly statement reflecting the approved collateralization. Collateral changes must be approved by the Finance Director/Treasurer.

SAFEKEEPING AND CUSTODY

To protect against potential fraud or losses caused by collapse of individual securities dealers, all investment securities purchased by the Village, including collateral on repurchase agreements, shall be held by the Village or in safekeeping by the Village's custodian bank or a third party bank trust department, acting as agent for the Village under the terms of a custody or trustee agreement executed by the bank and by the Village. The primary agent shall issue a safekeeping receipt to the Village listing the specific instrument, rate, maturity, and other pertinent information.

All security transactions conducted by the custodian on behalf of the Village are to be on a delivery-versus payment (DVP) only basis, to ensure that securities are deposited in an eligible custody account prior to the release of funds. Investment officials shall be bonded to protect the Village against loss.

DIVERSIFICATION

In order to reduce risk of loss, the Village shall diversify its investments by issuer, depository institution and investment type. With the exception of the U.S. Treasury, U.S. Government agencies, fully collateralized deposits and authorized pools, no issuer should represent more than five (5%) of the Village's total investment portfolio at time of investment. Deposits in any single depository institution, including fully collateralized deposits, or investments in any authorized pool should total no more than fifty percent (50%) of the Village's total investment portfolio at time of investment. Investments should additionally be limited by investment type at time of investment as follows:

Investment Type	Maximum Portfolio Investment Exposure
Treasury and other issuers backed by the full faith and credit of the U.S. Government	100%
Agency and instrumentality bonds or notes	50%
Agency and instrumentality Residential MBS	25%
Agency and instrumentality Commercial MBS	40%
Insured or Collateralized Deposits	100%
Municipal Securities	50%
Corporate Obligations	33%
Money Market Funds	50%
Authorized Pools	100%
Asset Backed Securities	25%

RATING REQUIREMENTS

Corporate obligations must be rated at the time of purchase at one of the four highest classifications established by at least two standard rating services. Municipal securities must be rated at the time of purchase at one of the three highest classifications established by at least one standard rating service.

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MATURITIES

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

Reserve or Capital Improvement Project monies may be invested in securities with a duration not to exceed five years. The maturity of Capital Improvement Project monies shall be made to coincide as nearly as possible with the expected use of the funds. The maturity of corporate obligations may not exceed 3 years.

SUSTAINABLE INVESTING

The Village believes that consideration of sustainability factors is vital for maximizing the safety and performance of public funds. The Village shall prudently integrate sustainability factors into the investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership of Village funds to maximize anticipated financial returns, minimize projected risks and more effectively execute fiduciary duties.

Therefore, when evaluating potential investments, the Finance Director and any designated investment professional shall consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence. Such factors include, but are not limited to: (1) corporate governance and leadership factors, (2) environmental factors, (3) social capital factors, (4) human capital factors, and (5) business model and innovation factors, as provided under the Illinois Sustainable Investing Act, 30 ILCS 238/.

Sustainability factors may include, but are not limited to, the following:

1. Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.

2. Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.

3. Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.

4. Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.

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5. Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

INTERNAL CONTROLS

Day-to-day procedures concerning investment management and accounting are outside the scope of this policy. The Village is subject to annual independent review of its internal controls by an independent accounting firm. This review will provide assurance of compliance with policies and procedures. Such review also may result in recommendations to change operating procedures to improve and/or adjust internal control. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees or officers of the Village. The specific internal controls maintained by the Village are contained in normal operating procedures of the Treasury.

PERFORMANCE STANDARDS

The Village's investment portfolio will be designed to obtain a market average yield during budgetary and economic cycles, taking into account the Village's investment risk constraints and cash flow needs.

Market Yield (Benchmark): The Village's investment strategy is primarily buy and hold. Given this strategy, the benchmark used by the investment officer to determine whether market yields of Operating and Capital Improvement Project monies are being achieved shall be the current six-month United States Treasury Bill and/or the Average Federal Reserve Funds rate. Since these indices are relatively risk-free benchmarks, they comprise a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with prudent investment principles and the risk limitations identified herein.

Reserve monies which may be invested with longer maturities shall be benchmarked against the ICE BofA 1-5 Year U.S. Treasury/Agency Index. The Village's reserve monies will be invested to obtain a rate of return exceeding the benchmark during budgetary and economic cycles, taking into account the Village's investment risk constraints and cash flow needs.

REPORTING

The investment officer shall submit quarterly an investment report that summarizes the description of the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment yield, compare the yield with the benchmark yield and budgetary expectations.

In the event any State or Federal legislation or regulation should further restrict instruments or institutions authorized by this policy, such restrictions shall be deemed to be immediately incorporated into this policy. The Village's investment policy shall be reviewed periodically by the investment officer and any modifications made thereto must be submitted to the Village Board for their consideration approval.

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