



To: Finance and Administration Committee

From: Timothy Sexton
Director of Finance

Date: May 18, 2018

Subject: Updated Debt Management Policy

Attached is an updated debt management policy, including Exhibit A – Policies and Procedures for Preparing and Updating Disclosures. This information will be discussed at the May 21st Finance and Administration Committee meeting.

This policy is being presented in anticipation of beginning the process of attempting to do a small bond issue. I have also attached a preliminary timetable of the anticipated dates for this bond issue.

I. PURPOSE

This Debt Policy sets forth comprehensive guidelines for the financing of capital expenditures by the Village. It is the objective of this Debt Policy that: (1) the process for identifying the timing and amount of debt or other financing be as efficient as possible; (2) the most favorable interest rate and other related costs be obtained; and (3) when appropriate, future financial flexibility be maintained.

Debt financing, which includes general obligation bonds, limited bonds, alternate bonds, special assessment bonds, special service area bonds, tax increment bonds, promissory notes, installment contracts, leases, debt certificates and other Village obligations permitted to be issued or incurred under Illinois law, shall only be used to finance capital expenditures that cannot be funded from either available current revenues or fund balances in a manner that maintains the financial health, feasibility and liquidity of the Village. The useful life of the asset or project shall exceed the length of debt service of any debt the Village assumes relative to the asset or the project.

To enhance creditworthiness and prudent financial management, the Village is committed to systematic long-term capital planning and financial planning. Evidence of this commitment to capital and financial planning will be demonstrated through the annual adoption of a Capital Improvement Plan (CIP) identifying the benefits, costs and method of funding each capital improvement planned for the succeeding ten years.

II. GOALS

Pursuant to this Debt Policy, the Village shall pursue the following goals when issuing debt:

- Long-term debt will not be used to finance current operations or to capitalize operating expenses. The capitalization of expenses, which represents a shift of operating costs into long-term debt, should be a practice that is expressly prohibited. Long-term debt will be used only for capital projects that cannot be financed from current revenue sources. Where capital improvements or acquisitions are financed through the issuance of debt, such debt will be retired over a period not to exceed the expected life of the improvement or acquisition.
- Assess financial alternatives including new and innovative financing approaches as well as categorical grants, revolving loans or other state/federal aid.
- Long-term debt will be used for refunding of other outstanding debt. As a guide, the minimum net present value savings shall be three percent (3%) of the par value of the bonds being refunded. However, circumstances may occur when a refunding may be advantageous with net present value savings of less than 3%. In those cases, approval of the Village Board will be required in order to proceed.
- Determine the amortization (maturity) schedule for general obligation bonds which will best fit with the overall debt structure of the Village's existing general obligation debt and related tax levy at the time the new debt is issued. The Village may choose to delay principal payments or capitalize interest

during project construction. For issuance of revenue bonds, determine the amortization schedule which will best fit with the overall debt structure of the enterprise fund and its related rate structure. Consideration will be given to coordinating the length of the issue with the useful lives of the assets, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the debt service structure.

- Level or declining debt service shall be employed unless operational matters dictate otherwise, or to achieve overall level debt service with existing bonds.
- Under Section 265(b)(3) of the Tax Code, banks and certain other financial institutions are not allowed any deduction for interest expense attributable to tax-exempt debt acquired after August 7, 1986, unless the "small issuer exception" applies. If the Village issues less than \$10,000,000 of tax-exempt debt during a calendar year and designates the debt as a "qualified tax-exempt obligation" pursuant to said Section 265(b)(3), the restriction on the deduction for interest expense does not apply. The Village shall be mindful of the potential cost-savings benefits of bank qualification and will strive to limit its annual issuance of debt to \$10 million or less when such estimated benefits are greater than the benefits of exceeding the bank qualification limit. Should subsequent changes in the law raise this limit, then the Village policy will be adjusted accordingly.
- The cost of taxable debt is higher than for tax-exempt debt. However, the issuance of taxable debt is mandated in some circumstances (for example, for the advance refunding of bonds) and may allow valuable flexibility in the use of bond-financed property, including in subsequent contracts with users or managers of the improvement constructed with the bond proceeds. Therefore, the Village will strive to issue tax exempt obligations whenever possible, but may occasionally issue taxable obligations.

III. DEBT ISSUANCE IN GENERAL

A. Authority and Purposes of the Issuance of Debt

The Village has the authority to borrow money and issue debt. The Village's debt must be issued (a) for lawful public and corporate purposes; (b) subject to constitutional, statutory, or other limitations (such as debt limitations); and (c) pursuant to proper constitutional, statutory, or other procedures (including holding its meetings in accordance with the Open Meetings Act, as amended, or holding a public hearing prior to issuing non-referendum general obligation bonds, including alternate bonds or limited bonds, in accordance with the Bond Issue Notification Act, as amended).

B. Types of Debt Issued

i) Short-Term (three years or less) The Village may issue short-term debt to finance the purchase of capital equipment having a life exceeding one year or to provide increased flexibility in financing programs.

ii) Long-Term (more than three years) The Village may issue long-term debt which may include, but is not limited to, those debt instruments listed in the second paragraph under "Purpose" above.

C. Capital Improvement Program

The CIP as approved by the Village Board shall determine the Village's capital needs. The CIP may be adjusted if the Village Board determines additional funding is required. The CIP shall be a ten-year plan for the acquisition, development and/or improvement of the Village's infrastructure. The first year of the program shall be the Capital Budget. If the current resources are insufficient to meet the needs identified in the Capital Budget, the Village Board may consider incurring debt to fund the shortfall. The Village Board, upon advice from the Village's financial advisor, may also consider funding multiple years of the CIP by incurring debt. The CIP should be revised and supplemented each year in keeping with the Village's policies on debt management.

D. Structure of Debt Issues

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

E. Method of Sale

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

F. Credit Enhancements

In connection with the issuance of its bonds, the Village may enter into an agreement with commercial banks or other financial entities to provide additional security or liquidity, or both, for the bonds ("Credit Agreement"), including municipal bond insurance, letters of credit, lines of credit, standby bond purchase agreements and surety bonds. The term of the Credit Agreement may not exceed the term of the bonds, plus any time period necessary to cure any defaults under such agreements. The Village Board shall approve any Credit Agreement upon the determination that such Credit Agreement is cost effective or otherwise advantageous to the Village.

G. Other Considerations

The Village is authorized to incur certain types of debt without voter approval that is not backed by the full faith and credit of the Village, but instead the Village's pledge of annual appropriation. Generally, this type of debt is first secured by the revenues of the particular project. If these revenues are insufficient, the Village pledges an annual appropriation from general revenues. The rating agencies consider the annual appropriation pledge as a very serious commitment of the Village, which is reflected in the credit quality of the debt. Failure to appropriate on any given bond issue would likely lead to a significant downgrading of the Village's credit rating. While the Village Board has the legal authority to appropriate under this type of debt on an annual basis, the Village enters into annual appropriation debt with the full expectation of making whatever annual appropriations are necessary to fund debt service on a timely

basis. The Village Board should give serious consideration to the Village's ability to appropriate for up to the full amount of the debt service prior to incurring this type of debt.

IV. LEGAL CONSTRAINTS AND OTHER LIMITATIONS ON THE ISSUANCE OF DEBT

The Village Board will utilize the guidelines established by this Debt Policy in incurring debt. The validity of any debt incurred in accordance with applicable law shall not be invalidated, impaired or otherwise affected by non-compliance with any part of the procedure set forth pursuant to this Debt Policy.

A. State Law

The Village has the authority to contract debt, borrow money, and issue bonds and other debt for public improvement projects, as allowed by the Illinois Constitution and state law, as amended from time to time.

B. Authority for Debt

All debt of the Village shall be authorized by an ordinance approved by the Village Board. In the ordinance, the Village Board shall reaffirm the findings concerning the means of authorization of the bonds or other debt; set forth the terms of the sale, including the maturity schedule and the interest rates; prescribe the form of the respective debt instrument and levy taxes, as applicable, sufficient to retire the debt. Under the Debt Reform Act, bond ordinances become effective immediately without publication or posting or any further act or requirement, except for ordinances required to be published by applicable law in connection with a backdoor referendum.

C. Debt Limitation

Under Section 8-5-1 of the Municipal Code, the debt limit for the Village is 8.625% of the equalized assessed valuation of all of the taxable property located within the boundaries of the Village. General obligation bonds, limited bonds, promissory notes, installment contracts, leases and debt certificates are generally subject to the debt limit. Revenue bonds, alternate bonds (unless taxes are extended to pay the alternate bonds), special assessment bonds, special service area bonds, tax increment bonds and bonds that finance water or wastewater treatment facilities mandated by a compliance order are not subject to the debt limit of the Village.

D. Capitalized Interest

Section 9 of the Debt Reform Act allows the Village to use bond proceeds to pay capitalized interest on its bonds for a period not to exceed the greater of: (1) two years or (2) a period ending six months after the estimated date of (a) completion of the acquisition and construction of the project or (b) accomplishment of the purpose for which the bonds are issued. The Village Board may provide for such capitalized interest in the ordinance authorizing the bonds.

E. Issuance Costs

Under Section 6 of the Debt Reform Act, whenever the Village is authorized to issue bonds without referendum, the Village Board may add issuance costs (including underwriter's discount, bond insurance or other credit enhancement costs) to the estimated costs of the project and may pay such costs from bond proceeds.

F. Discount Bonds

Section 10 of the Debt Reform Act permits the Village to sell bonds at a discount. Whenever bonds are sold at a discount, the bonds must be sold at a price and bear interest at such rate or rates so that either the true interest cost (yield) or the net interest rate received upon the sale of the bonds does not exceed the maximum rate otherwise authorized by applicable law.

G. Additional Pledge

Section 13 of the Debt Reform Act authorizes the Village to pledge, as additional security for the payment of its bonds, any of the following: (i) revenues derived from the operation of any utility system or revenue-producing enterprise; (ii) money deposited or to be deposited in a special fund of the Village; (iii) grants or other revenues or taxes expected to be received from the state or federal government, including sales, use, or utility taxes; (iv) special assessment to be collected with respect to a local improvement financed with the proceeds of bonds; or (v) payments to be made by another governmental unit pursuant to a service, user, or other similar agreement. Pursuant to such a pledge, the Village may bind itself to impose rates, charges, or taxes to the fullest extent permitted by applicable law.

H. Staleness

Under Section 17.5 of the Debt Reform Act, whenever the authorization or the issuance of bonds is subject to either a referendum or a backdoor referendum, the approval, once obtained, remains (a) for five years after the date of the referendum or (b) for three years after the end of the petition period for the backdoor referendum. Whenever applicable law provides, however, that the authorization or issuance of bonds under the Water Pollution Control Loan Program or the Public Water Supply Loan Program, under Title IV-A of the Environmental Protection Act, is subject to either a referendum or a backdoor referendum, the approval, once obtained, remains (1) for seven years after the date of the referendum or (2) for five years after the end of the petition period for a backdoor referendum.

V. DEBT ADMINISTRATION

A. Financial Disclosures

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

B. Review of Financing Proposals

All capital financing proposals that involve a pledge of the Village's credit, through the sale of securities, execution of loans or lease agreements or other arrangement, shall be referred to the Director of Finance/Treasurer who shall determine the financial feasibility and the impact on existing debt of such proposal. The Director of Finance/Treasurer shall make recommendations regarding such proposals to the Village Manager.

C. Establishing Financing Priorities

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

D. Rating Agency Relations

The Village shall endeavor to maintain effective relations with the rating agencies. The Village Manager, Director of Finance/Treasurer, and the Village's financial advisor should meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and regular basis in order to keep the rating agencies informed of the Village's capital plan, debt issuance program, and other appropriate financial information.

E. Refunding Policy

The Village should consider refunding outstanding debt when legally permissible and financially advantageous. A net present value debt service savings of at least three percent (3%) or greater should be achieved.

F. Post-Issuance Compliance for Tax-Exempt Bonds

The Finance Director/Treasurer shall be responsible for following post-issuance compliance procedures for all tax-exempt debt issues. The procedures are noted in the Post-Issuance Procedures Manual for Tax-Exempt Bonds issued by the Village.

G. Disclosure Compliance Policy

The Village Board has determined that it is necessary and in the best interest of the Village to ensure compliance with its responsibilities under federal securities laws, including its continuing disclosure undertakings (the "Undertakings") under Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, and the statements of the SEC in enforcement actions. The Director of Finance/Treasurer, as the disclosure officer of the Village, among others (including Disclosure Counsel), shall be responsible for the accurate disclosures with respect to the Village's preliminary official statements, final official statements and any supplements or amendments thereto. In addition, the Disclosure Officer shall compile and file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system in a timely manner (i) Financial Information, as required by and defined in the

Undertakings, and (iii) notices of Material Events or Reportable Events, each as defined in the Undertakings, and any other required or voluntary disclosures to EMMA.

VI. GLOSSARY OF TERMS

Ad Valorem Tax – A direct tax based “according to value” of property.

Advance Refunding Bonds – Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advance 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.

Alternate Bonds (Double Barreled Bonds) – Alternate bonds are general obligation bonds payable from enterprise revenues or from a revenue source, or both, with the general obligation of the municipality acting as backup security for the bonds. The intent of the Debt Reform Act is for the enterprise revenues or the revenue source to be sufficient to pay the debt service on the alternate bonds so that taxes need not be extended for such payment.

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.

BINA – The Bond Issue Notification Act of the State of Illinois, as amended.

Bond – Any instrument evidencing the obligation to pay money authorized or issued by or on behalf of the Village under applicable law, including without limitation, bonds, notes, installment or financing contracts, leases, certificates, tax anticipation warrants or notes, vouchers, and any other evidences of indebtedness.

CIP – The Capital Improvement Plan of the Village.

Debt Limitation – The maximum amount of debt which an issuer is permitted to incur under constitutional, statutory or charter provision.

Debt Reform Act – The Local Government Debt Reform Act of the State of Illinois, as amended.

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.

Disclosure Counsel – An attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and to prepare the official statement and/or continuing disclosure agreement.

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.

Extension Limitation Law – The Property Tax Extension Limitation Law of the State of Illinois, as amended.

General Obligation Bond – A full faith and credit general obligation of the Village payable from taxes levied against all taxable property within the Village without limitation as to rate or amount. Section 8-4-1 of the Municipal Code requires that general obligation bonds be approved by voters. This referendum requirement has many exceptions. The Municipal Code provides that certain general obligation bonds, including the following, may be issued without referendum: (i) bonds to refund existing indebtedness; bonds issued by the Village when ordered to abate pollution under the Environmental

Protection Act; bonds issued for the acquisition, construction, or improvement of water or wastewater treatment facilities mandated by a compliance order issued by the United States Environmental Protection Agency or the Illinois Pollution Control Board; and bonds issued under Section 8-5-16 of the Municipal Code so long as such bonds, together with the other bonds issued and outstanding under that Section, do not exceed 0.50% of the equalized assessed value of the taxable property within the Village. Since the Village is subject to the Extension Limitation Law, it can only issue its non-referendum general obligation bonds as limited bonds.

Installment Contracts – Two separate provisions of the Municipal Code and Section 17(b) of the Debt Reform Act authorize the Village to purchase real or personal property pursuant to installment contracts. Under Division 76.1 of the Municipal Code, the Village may enter into an installment contract not to exceed 20 years. The installment contract is payable from the levy of a direct, unlimited ad valorem property tax sufficient to pay the installments. Accordingly, since the Village is subject to the Extension Limitation Law, the Village must be authorized by a direct referendum to enter into a Division 76.1 installment contract. The Village may issue debt certificates in lieu of or as evidence of the amounts payable under the installment contract.

Section 11-61-3 of the Municipal Code permits the Village to purchase real or personal property pursuant to an installment contract. The installment payments of principal and interest are payable solely from the general funds of the municipality; and there is no separate tax levy to support the installment payments; The Village is not permitted to issue its own certificates evidencing the installment payments due under the contract; and no backdoor referendum is required in order to enter into the installment contract.

Section 17(b) of the Debt Reform Act also authorizes the Village to purchase real or personal property pursuant to an installment contract with a maximum term of 20 years. The Village is authorized to issue debt certificates evidencing the indebtedness incurred under such an installment contract. The payment obligation under such an installment contract and on such certificates constitutes a binding and enforceable promise to pay the amount borrowed plus the interest thereon. The municipality is expected to agree to annually appropriate amounts sufficient to pay the principal and interest on the installment contract and the debt certificates. There is no separate tax levy available for the purpose of making such payments.

Leases – The Village may lease real or personal property for a term not exceeding 20 years under Section 17(b) of the Debt Reform Act. The Village is authorized to issue debt certificates evidencing the indebtedness incurred under the lease. As with installment contract financings, the payment obligation under a lease is a binding and enforceable promise to pay, for which the municipality agrees to appropriate sufficient funds on an annual basis.

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.

Limited bonds – Bonds issued in lieu of general obligation bonds that otherwise have been authorized by applicable law. They are payable from a separate property tax levy that is unlimited as to rate, but the amount of taxes that will be extended to pay the bonds is limited by the Extension Limitation Law. Limited bonds are payable from the Village's debt service extension base (the "Base"), which is an amount equal to that portion of the Village's extension for the 1994 levy year for the payment of non-referendum bonds (other than alternate bonds or refunding bonds issued to refund bonds initially issued pursuant to referendum), increased each year, beginning with the 2009 levy year, by the lesser of 5% or the percentage in the Consumer Price Index for All Urban Consumers during the 12-month calendar year preceding the levy year.

Long-Term Debt – Long-term debt is defined, for purposes of this policy, as any debt incurred whose final maturity is more than three years.

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

Municipal Code – The Illinois Municipal Code, as amended.

Net Interest Cost (NIC) – The traditional method of calculating bids for new 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”).

Par Value or Face Amount – In the case of bonds, the amount of principal which must be paid at maturity.

Principal – The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

Promissory Notes – Pursuant to Section 8-1-3.1 of the Municipal Code, the Village may borrow money from any bank or financial institution. The indebtedness is evidenced by a promissory note or similar debt instrument (but not a bond) authorized by an ordinance of the Village Board and executed by the President. The borrowing must be for a lawful corporate purpose and must be repaid within 10 years. The obligation of the Village to make payments due under the promissory note is a lawful direct general obligation of the Village, but there is no statutory authority for the levy of a separate tax in addition to other Village taxes or the levy of a special tax unlimited as to rate or amount to pay the principal and interest due on the Promissory Note. The Village is expected to agree to annually appropriate amounts sufficient to make payments due under the promissory note, but the promissory note will be valid whether or not the Village includes such appropriation in any annual or supplemental appropriation adopted by the corporate authorities.

Property Tax Code – The Property Tax Code of the State of Illinois, as amended.

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

Refunding Bonds – Bonds issued to retire bonds already outstanding.

Revenue Bonds – Revenue bonds are obligations of the Village payable solely from the net revenue derived from the financed project or facilities. The full faith and credit of the Village is not pledged to the payment of revenue bonds. In order for the Village to issue revenue bonds, the revenue source must be related to the purpose for which the bonds are being issued and there must be a specific statutory grant of power for the issuance of the bonds. The Municipal Code authorizes the issuance of revenue bonds for numerous revenue producing projects including, but not limited to, public utilities (water, sewer, gas and electric). If revenue bonds are to be issued for a specifically authorized purpose, there is no statutory limit on the dollar amount of revenue bonds which may be issued. The amount of revenues available to pay the bonds may, however, limit the feasibility of the size of an issue. While a direct referendum is not required, the issuance of revenue bonds is typically subject to a backdoor referendum.

Short-Term Debt – Short-term debt is defined for purposes of this policy as any debt incurred whose final maturity is three years or less.

Special Assessment Bonds – Similar to service area financings, a special assessment is a method of financing used when a municipal improvement benefits a particular area to a greater extent than it benefits the entire municipality. The cost of such improvement is assessed against individual properties in amounts approximately equal to the value of the benefit to the properties assessed. Each assessment is a lien on the property and is payable in annual installments, with interest. Article 9 of the Municipal Code

grants certain municipalities the authority to make local improvements by special assessment and sets forth the municipal and court procedures for doing so.

Special Service Area Bonds – Pursuant to Section 27-45 of the Property Tax Code, bonds secured by the full faith and credit of the special service area territory may be issued for the purpose of providing special services. Such bonds are paid from the levy of taxes unlimited as to rate or amount against the taxable real property in the special service area. The county clerk will annually extend taxes against all of the taxable real property in the area in amounts sufficient to pay the principal and interest on the bonds. Such bonds are exempt from both the BINA and the Extension Limitation Law. Prior to the issuance of special service area bonds, the Village must give published and mailed notice and hold a hearing at which any interested person may file written objections and/or give oral statements with respect to the issuance of the bonds. The questions of the creation of the special service area, the levy of a tax on such area and the issuance of special service area bonds may all be considered at the same hearing. The creation of the special service area, the levy of a tax within the area and the issuance of bonds for the provision of special services to the area are subject to a petition process. If, within 60 days after the adjournment of the public hearing, a petition signed by not less than 51% of the electors residing within the special service area and 51% of the owners of record of land located within the special service area is filed with the Village Clerk objecting to the creation of the special service area, the levy of a tax or the issuance of bonds, then the area may not be created, the tax may not be levied and the bonds may not be issued. If such a petition is filed, the subject matter of the petition may not be proposed relative to any of the signatories within the next two years. If no such petition is filed with the Village Clerk, the Village may proceed to adopt an ordinance establishing the special service area, which must be timely filed with the county recorder and the county clerk.

Tax Code – The Internal Revenue Code of 1986, as amended, and the arbitrage and rebate regulations promulgated thereunder.

Tax-Exempt Bonds – Tax-exempt means interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Village's bonds are not exempt from taxation by the State of Illinois.

Tax Increment Act – The Tax Increment Allocation Redevelopment Act of the State of Illinois, as amended.

Tax Increment Bonds – Bonds secured by the incremental property tax revenues generated from a redevelopment project area. Tax increment financing provides a means for the Village, after the approval of a "redevelopment plan and project," to redevelop blighted, conservation or industrial park conservation areas. The Tax Increment Act allows incremental property taxes to be used to pay certain redevelopment project costs and to pay debt service with respect to tax increment bonds issued to pay redevelopment project costs. The Village is authorized to issue tax increment bonds payable from, and secured by, incremental property tax revenues expected to be generated in the redevelopment project area. Incremental property tax revenues are derived from the increase in the current equalized assessed valuation of the real property within the redevelopment project area over and above the certified initial equalized assessed valuation for such redevelopment project area.

Pursuant to Section 11-74.4-5 of the Tax Increment Act, before adopting the necessary ordinances to designate a redevelopment project area, the Village must hold a public hearing and convene a joint review board to consider the proposal. At the public hearing, any interested person or taxing district may file written objections and may give oral statements with respect to the proposed financing. After the municipality has considered all comments made by the public and the joint review board, it may adopt the necessary ordinances to designate a redevelopment project area.

Tax increment revenues may also be treated as a revenue source and be pledged to the payment of alternate bonds under Section 15 of the Debt Reform Act.

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.

Village Board – The President and Board of Trustees of the Village.

Exhibit A

Village of Lombard, DuPage County, Illinois (the "*Village*")

Policies and Procedures for Preparing and Updating Disclosures

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 or 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, 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 Director of Finance of the Village (the "*Disclosure Officer*") 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 group may include outside professionals such as disclosure counsel, a municipal advisor and an underwriter (the "*Working Group*") and (b) the member 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 first draft of the Official Statement 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. The Disclosure Officer shall continue to review subsequent drafts of the Official Statement in the manner set forth in 2. and 3. above.

5. If, 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; *provided, however,* that the use of the Official Statement must be ratified, approved and authorized by the President and Board of Trustees of the Village (the "*Board*").

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

1. By October 15th of each year (the same being at least 30 days prior to the last date on which the Annual Financial Information is required to be disseminated pursuant to the related Undertaking), the Disclosure Officer shall begin to prepare (or hire an agent to prepare) the Annual Financial Information. The Disclosure Officer shall also review the audited or unaudited financial statements, as applicable, to be filed as part of the Annual Financial Information (the "*Financial Statements*"). In addition to the required updating of the Annual Financial Information, the Disclosure Officer should consider whether additional information needs to be added to the Annual Financial Information in order to make the Annual Financial Information, including the Financial Statements, taken as a whole, correct and complete in all material respects. For example, if disclosure of events that occurred subsequent to the date of the Financial Statements would be necessary in order to clarify, enhance or correct information presented in the Financial Statements, in order to make the Annual Financial Information, taken as a whole, correct and complete in all material respects, disclosure of such subsequent events should be made.

2. If, in the Disclosure Officer's reasonable judgment, the Annual Financial Information, including the Financial Statements, is correct and complete in all material respects, 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.

(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.

(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. Scheduling email reminders with EMMA to help ensure timely filing of the Village's Annual Financial Information;

2. 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;

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

4. 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.

5. The Disclosure Officer is authorized to request and pay for attendance at relevant conferences or presentations or annual training sessions conducted by outside counsel, consultants or experts in order to ensure a sufficient level of knowledge for the effective administration of this Disclosure Policy.

VILLAGE OF LOMBARD, ILLINOIS
 General Obligation Bonds (Alternate Revenue Source), Series 2018

Preliminary Timetable
 (April 30, 2018)

<u>Task</u>	<u>Party Responsible</u>	<u>Date</u>
Authorizing Ordinance Adopted	Village	June 21
Publication of Authorizing Ordinance and BINA Hearing	Village	Week of June 25
<i>30-Day Petition Period Begins</i>		
Distribute first draft of POS	Speer	Week of June 25
Distribute Insurance Package	Speer	Week of June 25
Comments received on first draft POS	All Parties	Week of July 9
Distribute second draft of POS	Speer	Week of July 16
BINA Public Hearing	Village	July 19
Receive Bond Insurance Indication	Village and Speer	Week of July 23
Due Diligence Call	Village, Speer, Disclosure Counsel, Underwriter	Week of July 23
<i>30-Day Petition Period Ends</i>		
Distribute Draft of Bond Ordinance	Bond Counsel	Week of July 30
Final comment due on POS	All Parties	July 30
Finalize and Print POS	Speer	Week of July 30
Bond Pricing and Sale	All Parties	Week of August 13
Bond Ordinance Adopted	Village	August 16
Bond Closing	All Parties	Week of September 3

All Village Board Events or Actions are Highlighted in BLUE
All Publication Events Highlighted in GRAY