

## **FINANCIAL POLICY CHANGES**

### **CAPITAL BUDGET - Adopted December 3, 1987; Revised May 3, 2007**

The Village will develop a multi-year plan for capital improvements updated annually and will budget all capital improvements in accordance with the plan. Various funding sources including sales tax, motor fuel tax, a portion of water and sewer revenues, telecommunication and utility taxes, public benefit and TIF property tax will be allocated to support these improvements. In addition, the Village will consider long term debt borrowing for projects where applicable.

The Village will maintain its physical assets at a level adequate to protect the capital investment and to minimize future maintenance and replacement cost. The operating budget will provide for adequate maintenance and orderly replacement of the capital plant and equipment from current revenues where possible.

Capital investment objectives will be prioritized by the Village Board and appropriately reflected in the capital budget.

### **FUND BALANCE AND RESERVE POLICY - Adopted December 3, 1987; Revised November 1, 2001; Revised May 1, 2003; Revised May 3, 2007;**

In accordance with GASB 34, the General Fund contains revenues and expenditures for accounts that are restricted in their use by statute. These included Special Service Area #3, Donations, Seizure, Foreign Fire Insurance, Hotel Motel Tax, Economic Incentive, IMRF/Social Security, Recycling, Grants, Business District #1, DUI User Fee, and Liability Insurance. In addition, the General Fund contains two accounts, the Technology Reserve account and the Utility Tax Reserve account that are considered unrestricted but designated. The General Fund also includes the corporate account consisting of all general operating revenues and expenditures. Finally, the Water and Sewer Fund contains an unrestricted but designated Lake Michigan Water Reserve account..

The Village will establish an adequate fund balance to pay for expenses caused by unforeseen emergencies or for shortfalls caused by revenue declines. For the General Fund (unrestricted – undesignated), Water and Sewer Fund (unrestricted – undesignated) and Parking System Fund, the fund balance will be maintained at an amount which represents an average of three (3) months operating expenditures. Any fund balances exceeding these amounts will be appropriately budgeted in programs experiencing the most need as determined by the Village Board.

The Liability Insurance Account will maintain a reserved fund balance equal to the actuarially determined amount required to make future payments on workers compensation and property and casualty losses. In addition, an unreserved fund balance of ten percent (10%) of total annual expenditures shall be maintained to cover additional unanticipated insurance costs or reserve requirements. The Village will establish a contingency expenditure reserve to provide

for unanticipated expenditures of a non-recurring nature or to meet unexpected increases in service delivery costs.

**INVESTMENT POLICY** - Adopted December 3, 1987; Revised December 5, 1996 & December 2, 1999; Revised May 1, 2003; Revised May 3, 2007

**REPORTING: NEW POLICY**

The Director of Finance shall submit a bi-monthly investment report that provides the following information:

- Principal and type of investments
- Book value
- Earnings by fund for the current month and year to date
- Breakdown of cash and investments
- Percentage of the Portfolio represented by each investment category

From time to time the Director of Finance shall suggest policies and improvements that might be made in the investment program.

**LAKE MICHIGAN WATER RESERVE ACCOUNT – Adopted May 3, 2007**

In order to monitor future utilization of the remaining portion of the rebate received by the Village from the DuPage Water Commission, a Lake Michigan Water Reserve account has been established as an unrestricted but designated account in the Water and Sewer Fund to account for rebated funds from the DuPage Water Commission not previously utilized for rate stabilization or capital improvements. Future use of these funds for rate stabilization or capital improvements to the water and sewer system will be discussed as part of the Village's annual budget process.

**MOTOR FUEL TAX POLICY** - Adopted December 3, 1987, Revised April 25, 1996; May 7, 1998; Revised May 3, 2007

The State of Illinois, Motor Fuel Tax Act (35 ILCS 505/8), provides for a tax on fuel used for operational motor vehicles upon highways and waters. The Act also provides that the Illinois Department of Transportation shall allot to each municipality its share of the amount of tax appropriated to the municipalities in the state in proportion to their share of the total population of the state, as determined by the last census in the both the state and individual communities. Except as otherwise specified, it is the policy of the Village of Lombard, that Motor Fuel Tax allotments can be used for operational purposes (salaries, wages, overtime, materials and supplies for snow & ice control and/or street maintenance and repairs) provided that no more than 33 1/3% of the total estimated allotment will be budgeted from the MFT Fund for operational purposes in any given fiscal year. This policy does not require the expenditure of 33 1/3% of MFT allotments on operations, but rather provides that if the Village's financial position requires the use of MFT funds for operating purposes, that the amount to be used for such purposes is limited to 33 1/3%.

The remaining MFT funds not allocated to operating expenses shall be used for capital improvements and engineering based on the Village's 10-Year Capital Improvement Program.

The actual amount of the budgeted MFT revenue devoted to operational purposes will be reviewed each year by the Village Manager, Finance Committee, and Village Board as part of the annual budget process.

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- **UTILITY TAX RESERVE POLICY – Adopted May 3, 2007**

On March 21, 2006, Village residents approved through referendum a 1% Non-Home Rule Sales Tax. Pursuant to State law, Non-Home Rule Sales Tax may only be used for property tax relief or infrastructure improvements. The Village's commitment at the time of the referendum was to use it for the latter. As a result of utilizing Non-Home Rule Sales Tax for infrastructure purposes, the Village is in a position to re-allocate some or all of the Village's Utility and Telecommunication Tax revenue previously used for capital improvements toward meeting future operating needs. In order to monitor future utilization of the Utility and Telecommunications Tax revenue, a Utility Tax Reserve Account has been established as an unreserved but designated account in the General Fund to account for Utility and Telecommunications Tax revenue that is not designated for capital or operating purposes within a given fiscal year. The Utility Tax Reserve will be updated each year during the annual budget process based upon expenditure decisions made in previous fiscal years and updated revenue forecasts.