FISCAL STRUCTURE AND

POLICY MANUAL

VILLAGE OF OAK PARK ILLINOIS

External Agency Funding Policy

Adopted: __________, 2026

VILLAGE OF OAK PARK
EXTERNAL AGENCY FUNDING POLICY

I. GOVERNING AUTHORITY

This policy applies to all uses of local-level funding within the Village of Oak Park (the “Village”) in response to requests for funding from external organizations. These standards do not apply to formal grant programs administered by the Village with the intention of awarding grants to external parties, whether through federal, state, or local funds.

II. SCOPE

The Village has historically provided discretionary financial support, in the form of grants, contributions, and loans of local funds, to non-profit organizations, sister government entities, and other outside organizations that the Village considers “partner agencies.”

For purposes of this Policy, financial support includes not only grants, contributions, and direct loans, but also bridge financing, short-term liquidity assistance, lines of credit, guarantees, credit enhancements, conduit debt issuance, use of the Village’s borrowing authority, and any other arrangement through which the Village provides funds, incurs administrative or financial exposure, pledges its credit, or facilitates access to financing for an outside organization.

The purpose of this External Agency Funding Policy (the “Policy”) is to establish a consistent, transparent framework for evaluating and approving requests for Village funding from outside organizations, and to ensure that such funding: (i) is directed toward clearly justified, well-documented needs; (ii) reflects a demonstrable benefit to Village residents; (iii) is responsibly weighed against the Village’s own financial condition; and (iv) does not create an ongoing or presumed entitlement to continued Village support.

The Village’s general policy intent is to limit and, where appropriate, reduce discretionary funding to outside organizations over time, particularly recurring commitments that create long-term reliance on Village funds, in favor of one-time, clearly scoped assistance. Nothing in this Policy obligates the Village to fund any request, and no prior award of funding creates a right or expectation of continued or future funding.

The Village does not intend to serve as a routine or ongoing source of liquidity for External Agencies. Requests related to delayed revenues, cash-flow timing, operating pressures, financing deadlines, or limited access to conventional financing may be considered, but those circumstances alone do not create an obligation or expectation that the Village will provide assistance.

III. APPLICABILITY

This Policy applies to all Village departments, divisions, boards, commissions, and committees involved in receiving, evaluating, recommending, or approving requests for Village funding from outside organizations.

This Policy applies only to discretionary, locally funded assistance that the Village provides to outside organizations. This Policy does not apply to:

- Funds or gifts received by the Village from outside parties, which are governed by the Village's Donation Policy;
- Formal grant programs administered by the Village on behalf of outside recipients using federal, State, or other non-local grant funds, which are governed by the Village's Grant and Financial Award Policy and the terms of the applicable grantor; and
- Village revenues, expenditures, or reimbursements arising from the Village's own receipt of a grant, donation, or intergovernmental payment for services rendered to the Village.

This Policy applies prospectively to all requests for funding submitted on or after the effective date of this Policy, including requests from organizations that have received Village funding in the past. No organization is exempted or grandfathered from the requirements of this Policy on the basis of prior Village funding history.

IV. REFERENCE POLICIES, STATUTES, AND GUIDANCE

The following Village policies and authorities are incorporated by reference and should be read together with this Policy:

- Village of Oak Park Code of Ordinances, Chapter 2, Article 6 (Finance Department), including the duties of the Director of Finance/Chief Financial Officer and the role of the Finance Committee;
- Village of Oak Park Fund Balance Policy;
- Village of Oak Park Donation Policy;
- Village of Oak Park Grant and Financial Award Policy;
- Village of Oak Park Budget Amendment Policy; and
- Village of Oak Park Vendor Debarment Policy.

V. DEFINITIONS

- **External Agency.** "External Agency" means any non-profit organization, sister government entity, or other outside organization that requests or receives discretionary Village funding under this Policy. "Partner Agency" and "Outside Organization" are referred to in this Policy, and both are considered External Agencies.

- **One-Time Request.** "One-Time Request" means a request for Village funding intended to address a discrete, non-recurring need, with no expressed or implied expectation of continued or future funding.

- **Multi-Year Request.** "Multi-Year Request" means a request for Village funding spanning more than one fiscal year, which may only be approved as provided in Section VIII of this Policy.

- **Grant or Contribution.** "Grant or Contribution" means Village funding provided to a Partner Agency with no expectation of repayment.

- **Loan.** "Loan" means Village funding provided to a Partner Agency with the expectation of repayment under the terms of a written loan agreement.

- **Sunset Date.** "Sunset Date" means the specific end date, established at the time of approval, after which Village funding for a given award terminates and any continuation requires a new application and a new approval by the Village Board of Trustees.

- **Outcome Metrics.** "Outcome Metrics" means the performance indicators a Partner Agency proposes, and the Village approves, to measure and document the results achieved with Village funding.

- **Financial Accommodation.** "Financial Accommodation" means any direct or indirect arrangement through which the Village provides financing, liquidity, credit support, borrowing authority, administrative assistance, or access to capital for the benefit of a Partner Agency. Financial Accommodations include loans, bridge financing, lines of credit, guarantees, credit enhancements, and conduit debt transactions.

- **Bridge Financing.** "Bridge Financing" means short-term financing intended to address a documented timing difference between an organization's expenditures and the anticipated receipt of identified revenues or long-term financing. Bridge Financing shall not be used to finance an ongoing structural operating deficit.

- **Conduit Debt.** "Conduit Debt" means debt issued or facilitated by the Village for the benefit of a third-party borrower where repayment is expected to come solely from the borrower or pledged project revenues and not from Village revenues. The Village's participation in a conduit debt transaction does not imply financial support, credit backing, or an obligation to repay the debt.

VI. Guiding Principles

The Village has adopted the following guiding principles with respect to funding requests from outside organizations:

- Village funding to outside organizations is discretionary. No Partner Agency has an entitlement to Village funding, and no prior award, regardless of amount or duration, creates an expectation of continued or future funding.

- All Village funding is presumed to be one-time in nature. Any exception permitting a longer commitment (e.g., a two (2) year term) requires specific, separate approval by the Village Board of Trustees identifying the term and a definite Sunset Date, as set forth in Section VIII.

- The Village Board of Trustees favors funding requests that address a discrete, non-recurring need over requests for ongoing general operating support.

- Village funding to outside organizations is contingent upon the availability of Village surplus funds. No request may be approved unless doing so is consistent with the Village's Fund Balance Policy, as described in Section IX(C).

- The Village Board of Trustees generally disfavors approving funding requests from organizations that maintain substantial unrestricted operating reserves of their own, or that would rely on Village funds for a disproportionate share of their total operating budget, without imposing a fixed numerical limit in all cases (see Section VII(C)).

- Village funding decisions should be supported by a clear, documented rationale, including the anticipated benefit to Village residents.

VII. General Provisions — Eligibility and Evaluation Criteria

a. Threshold Eligibility

To be eligible for consideration under this Policy, a Partner Agency must:

- Be a legally organized non-profit organization (e.g., holding valid 501(c)(3) status), a governmental entity, or another organized entity approved by the Village Manager;

- Provide services that directly benefit Village of Oak Park residents; and

- Not be currently debarred, nor have been debarred within the preceding three (3) years, under the Village's Vendor Debarment Policy. A Partner Agency that is or becomes debarred is automatically ineligible for funding under this Policy.

b. Application and Documentation Requirements

Each request for funding must be submitted using the standardized External Agency Funding Request Form (Appendix A) and must include, at a minimum:

- The Partner Agency's most recent audited financial statements;
- The Partner Agency's current operating budget;
- Proposed Outcome Metrics that will be used to measure and report the results of the requested funding; and
- Any additional documentation requested by the Village Manager or Chief Financial Officer, which may include a multi-year strategic or operating plan.

c. Financial Condition Review

As part of its review, the Finance Department will assess the Partner Agency's financial condition, including its reserve levels and reliance on Village funding relative to its total operating budget.

The Village Board of Trustees generally disfavors approving funding requests from Partner Agencies that maintain unrestricted operating reserves equal to six (6) months or more of the Partner Agency's operating expenses, absent a compelling justification presented as part of the request. This is guidance to inform the Village's decision-making and does not operate as an automatic disqualification.

d. Threshold Requirements for Financing and Credit Requests

A request for a loan, bridge financing, conduit debt, line of credit, guarantee, credit enhancement, or other Financial Accommodation will not be advanced for Village Board consideration unless the requesting organization demonstrates, to the satisfaction of the Village Manager and Chief Financial Officer, that:

1. The request serves a clearly identified public purpose and provides a demonstrable benefit to Village residents;
2. The need is temporary, discrete, and supported by a defined repayment or financing source;
3. The request is not intended to finance an ongoing structural operating deficit;

4. The organization has evaluated other reasonably available alternatives, as applicable, including conventional financing, internal reserves, expenditure reductions, and other potential funding sources.

Commented [KB1]: This change was made post 7/24 draft shared with the Finance Committee\Board.

~~4.~~5. ~~The organization has evaluated conventional financing, internal reserves, expenditure reductions, and other reasonably available alternatives~~;

~~5.~~6. The organization has the legal authority and financial capacity to enter into and perform under the proposed arrangement;

~~6.~~7. The proposed transaction will not impair the Village's liquidity, fund balance, credit rating, debt capacity, banking relationships, or ability to finance its own operations and capital priorities; and

~~7.~~8. The organization agrees to provide all financial, operational, legal, and governance information requested by the Village and to permit appropriate review of its books and records.

e. EVALUATION FACTORS

Village staff will document consideration of the following factors in a written recommendation for every funding request brought before the Village Board of Trustees:

- Whether the request is for a one-time, non-recurring need or for ongoing/recurring support;
- The stated rationale and justification for the request;
- The anticipated return on investment and benefit to Village residents;
- The Partner Agency's financial condition, as described in Section VII(C);
- The availability of Village surplus funds consistent with the Fund Balance Policy; and
- The request's alignment with Village Board of Trustees priorities.

VIII. FUNDING INSTRUMENTS AND STRUCTURING

a. GRANTS AND CONTRIBUTIONS

- The default term for any approved grant or contribution is one (1) Village fiscal year, with a specific Sunset Date stated at the time of approval.
- A Multi-Year Request (e.g., a term of up to two (2) years) may be approved only with the Village Board of Trustees' specific, separate approval identifying the term and Sunset Date at the time of award. At the Sunset Date, continued funding requires a new application and a new approval; no funding continues automatically.
- A written funding agreement is required for every award, substantially in the form attached as Appendix B, addressing at minimum: the purpose and scope of the funding; the amount; the term and Sunset Date; required reporting under Section IX(E); and the Village's right to recapture funds as described below.
- Clawback and Recapture. If Village funds are not used for the purpose stated in the funding agreement, the Partner Agency must return the unused or misapplied funds to the Village. The funding agreement must specify the Village's recapture rights and the process for enforcing them.

b. LOANS

Loans of Village funds to a Partner Agency are subject to additional requirements, set forth in the Supplemental Loan Guidance, including the following minimum requirements:

- A written loan agreement is required for every loan, and the loan agreement must be reviewed and approved by the Village Attorney prior to execution.

- Interest rate and maximum term: to be established by the Village Board of Trustees in consultation with the Chief Financial Officer, as set forth in Appendix C.

- Default. The Village does not maintain a formal write-off process for defaulted loans to Partner Agencies. In the event of a default, the Village's anticipated course of action is to pursue collection of the outstanding amount to the extent practicable. In addition, a Partner Agency that defaults on a loan under this Policy shall be subject to debarment under the Village's Vendor Debarment Policy.

c. Conduit Debt and Other Credit Facilitation

The Village may consider serving as a conduit issuer or otherwise facilitating a third party's access to financing only when the Village Board determines that the transaction serves a substantial public purpose and is consistent with the Village's financial and policy objectives.

Conduit debt shall not constitute a debt, liability, moral obligation, or pledge of the Village's taxing power, revenues, assets, or full faith and credit. All debt service, issuance costs, professional fees, continuing disclosure obligations attributable to the borrower, and other transaction costs shall be paid by the borrower.

The borrower shall indemnify the Village to the fullest extent permitted by law and shall reimburse the Village for all legal, financial-advisory, administrative, trustee, issuer, and other costs incurred in reviewing, issuing, or administering the transaction.

The Village may require financial feasibility analysis, audited financial statements, debt-service coverage information, appraisals, collateral information, organizational documents, legal opinions, and other due-diligence materials. The Village may decline a request based on financial, legal, reputational, administrative, policy, or capacity considerations, even if the proposed debt would not constitute a direct financial obligation of the Village.

Village participation in one conduit transaction shall not establish a precedent or entitlement for the same borrower or any other organization.

IX. Process and Procedure

a. Standard Cycle

Requests should generally be submitted during the Village's annual budget development process. A request involving a loan, bridge financing, conduit debt, line of credit, guarantee, or other Financial Accommodation must be submitted sufficiently in advance to permit financial, legal, and policy review and shall include all required documentation before the request will be considered complete.

Except where the Village Manager determines that an unforeseen and critical circumstance exists, financing requests should be submitted at least ninety (90) days before the requesting organization anticipates needing Village Board action or access to funds. Submission of a request does not guarantee that the Village will complete its review or take action within the requesting organization's preferred timeline.

b. Exceptional/Off-Cycle Requests

The Village Manager may bring a request for Village Board of Trustees consideration outside of the standard annual budget cycle only where the request reflects an exceptional or critical circumstance. The rationale for treating a request as exceptional must be documented in the staff recommendation to the Village Board of Trustees.

A cash-flow timing issue, anticipated revenue delay, financing deadline, or failure to plan adequately shall not, standing alone, constitute an exceptional or critical circumstance. The requesting organization must explain why the need could not reasonably have been anticipated and addressed through its own budgeting, reserves, borrowing arrangements, or contingency planning.

c. Fund Balance Contingency

No funding request may be approved unless the Finance Department first confirms that approval is consistent with the unassigned fund balance minimum established under the Village's Fund Balance Policy. Village funding under this Policy is contingent upon the availability of Village surplus funds consistent with that Policy.

d. Approval Authority

All funding decisions under this Policy, regardless of dollar amount, require approval by the Village Board of Trustees. Consultation with the Finance Committee is optional and at the discretion of the Village Manager or the Village Board of Trustees, and is not a required step before a request is brought to the full Village Board of Trustees for consideration.

Where the Village Board establishes a recurring or standing financing program, including a bank line of credit or intergovernmental lending framework, the Village Board shall first approve the program's purposes, maximum aggregate exposure, eligible borrowers, interest-rate methodology, maximum term, documentation requirements, and other governing parameters by resolution.

Each individual loan, draw, conduit issuance, guarantee, or other use of the program shall require separate Village Board approval unless the establishing resolution expressly delegates limited implementation authority consistent with applicable law.

e. Post-Award Reporting

Each Partner Agency receiving Village funding under this Policy must submit Outcome Metrics documenting the results achieved with the funding at two intervals: (i) mid-year, and (ii) at year-end (or upon completion of the funded activity, if earlier). Failure to provide required reporting may be considered by the Village Board of Trustees in evaluating any future funding request from the same Partner Agency.

X. Roles and Responsibilities

- **Village Board of Trustees.** The Village Board of Trustees has sole authority to approve all funding decisions under this Policy, including any Multi-Year Request exception.
- **Village Manager.** The Village Manager oversees intake of funding requests, determines whether a request qualifies for off-cycle consideration as an exceptional circumstance, and prepares or directs preparation of the staff recommendation to the Village Board of Trustees.
- **Chief Financial Officer.** The Chief Financial Officer reviews each Partner Agency's financial condition and eligibility, confirms the Fund Balance Policy contingency, and maintains all funding agreements and loan documentation.
- **Village Attorney.** The Village Attorney reviews and approves all loan agreements prior to execution.
- **Finance Committee.** The Finance Committee may be consulted at the discretion of the Village Manager or the Village Board of Trustees but is not a required approval body under this Policy.
- **Partner Agency.** Each Partner Agency is responsible for submitting a complete application, complying with all reporting obligations under Section IX(E), and is subject to the clawback, recapture, and debarment provisions of this Policy in the event of noncompliance or default.

XI. Review & Amendments

A. *Amendments*. This Policy shall be adopted by Resolution of the Village Board of Trustees. Any future amendment to this Policy shall be approved and adopted by the Village Board of Trustees.

XII. Annual Review & Amendments

On an annual basis, or as deemed necessary, the Village Board of Trustees shall review the Outside Agency and Partner Organizational Funding Policy and shall approve policy revisions, if any, by formal resolution.

Adopted: ______________________________

Appendix A – External Agency Funding Request Form

This form is used to request discretionary Village funding under the Outside Agency and Partner Organization Funding Policy. A separate form must be submitted for each request.

- Requesting Organization Name: Click or tap here to enter text.
- Contact Name, Title, Address, Phone, Email: Click or tap here to enter text.
- Legal Status ☐ 501(c)(3) ☐ Governmental entity ☐ Other
- Amount of Funding Requested: Click or tap here to enter text.
- Type of Request: ☐ Grant/Contribution ☐ Loan
- Requested Term: ☐ One-Time (single fiscal year) ☐ Multi-Year (specify term and rationale): Click or tap here to enter text.
- Description of Need and Purpose of Requested Funds: Click or tap here to enter text.
- Anticipated Benefit to Village of Oak Park Residents: Click or tap here to enter text.
- Has the Organization received Village funding in any of the preceding three (3) fiscal years? If so, describe amount(s) and purpose(s) Click or tap here to enter text.
- Proposed Outcome Metrics to Measure Results: Click or tap here to enter text.
- Organization's Current Unrestricted Operating Reserves (amount and number of months of operating expenses): Click or tap here to enter text.
- Other Anticipated Funding Sources for This Request: Click or tap here to enter text.
- Attachments: ☐ Most Recent Audited Financial Statements ☐ Current Operating Budget ☐ Other (specify): ________

By submitting this form, the requesting organization certifies that the information provided is true and accurate to the best of its knowledge.

Appendix B – External Agency Funding Agreement

This Funding Agreement ("Agreement") is entered into between the Village of Oak Park (the "Village") and ________________________ (the "Partner Agency"), in connection with funding approved by the Village Board of Trustees on ________________________ (date).

- Purpose and Scope. The Village agrees to provide $________________ to the Partner Agency for the following purpose: ____.
- Term and Sunset Date. This Agreement is effective as of ________________ and terminates on ________________ (the "Sunset Date"), after which continued funding requires a new application and new approval by the Village Board of Trustees.
- Reporting. The Partner Agency shall submit Outcome Metrics to the Village Finance Department at the mid-point of the funding term and at the Sunset Date (or upon completion of the funded activity, if earlier), documenting the results achieved with the funding.
- Use of Funds. The Partner Agency shall use the funds solely for the purpose described above. Funds may not be used for any purpose inconsistent with this Agreement.
- Clawback and Recapture. If any portion of the funds is not used for the stated purpose, or if the Partner Agency fails to comply with the reporting requirements of this Agreement, the Partner Agency shall return the unused or misapplied funds to the Village within thirty (30) days of written notice from the Village.
- No Expectation of Continued Funding. The Partner Agency acknowledges that this Agreement does not create any expectation or entitlement to future Village funding.
- Compliance. The Partner Agency shall comply with all applicable Village policies, including the Vendor Debarment Policy, and all applicable federal, State, and local law.

Village of Oak Park
By: _____________________________
Name/Title: ______________________
Date: ____________________________

Partner Agency
By: _____________________________
Name/Title: ______________________
Date: ____________________________

Appendix C – Supplemental Guidance for Loans to Partner Agencies

This Appendix provides supplemental guidance for structuring loans of Village funds to Partner Agencies under Section VIII(B) of the External Agency Funding Policy. If loan activity under this Policy becomes substantial or complex enough to warrant it, the Village Board of Trustees may elect to adopt a standalone Loan Policy; until such time, this Appendix governs.

- **Written Agreement Required.** No loan of Village funds to a Partner Agency may be made without a written loan agreement approved by the Village Board of Trustees and reviewed and approved by the Village Attorney prior to execution.
- **Interest Rate:** Interest shall accrue beginning on the date funds are disbursed. Unless otherwise established by the Village Board, the interest rate shall be no less than the Village's average investment yield for the preceding three complete calendar months, plus any direct administrative, banking, legal, or transaction costs incurred by the Village.
- **Maximum Term:** The maximum term of any loan shall be determined by the Village Manager and Chief Financial Officer based on the purpose of the loan, the identified repayment source, the borrower's financial condition, and the Village's liquidity and financial position. The final term shall be subject to approval by the Village Board of Trustees as part of its approval of the loan.
- **Repayment Schedule.** Each loan agreement shall specify a defined repayment schedule, including the frequency and amount of payments and the final maturity date.
- **Security/Collateral (if any):** to be evaluated on a case-by-case basis at the recommendation of the Chief Financial Officer and Village Attorney.
- **Default.** The Village does not maintain a formal write-off process for defaulted loans under this Policy. In the event of a default, the Village's anticipated course of action is to pursue collection of the outstanding amount to the extent practicable. A Partner Agency that defaults on a loan under this Policy shall be subject to debarment under the Village's Vendor Debarment Policy.
- **Reporting.** In addition to the Outcome Metrics required under Section IX(E) of the Policy, the Partner Agency shall provide the Chief Financial Officer with periodic confirmation of its repayment status, at a frequency specified in the loan agreement.
- **Draw Request.** Funds shall be disbursed only pursuant to a written draw request signed by an authorized representative of the borrower. Each draw request must certify the amount requested, the authorized use, the anticipated expenditure date, and continued compliance with the loan agreement.
- **Access to records.** The borrower shall provide the Village with access to financial records, bank statements, budgets, cash-flow projections, accounts payable information, and other documentation reasonably necessary to verify need, use of proceeds, repayment capacity, and compliance.
- **No revolving access or implied renewal.** Approval of a loan does not create a revolving credit facility, a commitment to make additional advances, or an expectation of renewal, extension, refinancing, or future assistance.
- **No subordination without approval.** The borrower may not incur additional debt, pledge the identified repayment source, or subordinate the Village's repayment position without prior written approval from the Village.

- **Monitoring and reporting.** During the term of a bridge loan, the borrower shall provide periodic cash-flow reports and updates regarding the status and timing of the identified repayment source at intervals established by the Chief Financial Officer.