



City Council Work Session

Crest Hill, IL

June 12, 2023

7:00 PM

Council Chambers

20600 City Center Boulevard, Crest Hill, IL 60403

Agenda

- [1.](#) Festa Italiana Parade
- [2.](#) Three Day Liquor License Waiver
- [3.](#) Retirement of Police Canine and New Police Dog Acquisition
- [4.](#) Weber East TIF Proposal for Eligibility Study
- [5.](#) SU Truck Rental Home Essentials-Hillcrest
- [6.](#) SU Banquet Facility-Event and Venue by James
- [7.](#) Security and Safety Change Orders
- [8.](#) IGA Weber and Ryan Traffic Signal
- [9.](#) Chaney and Center Water Main and Roadway Rehabilitation Project-Change Order No. 1.
- [10.](#) Hillcrest Shopping Center Water Main Relocation-Change Order No. 1.
- [11.](#) Consideration for approval for two insurance appraisal proposals from Kroll.
- [12.](#) City Owned Vehicles and Clothing Allowance~Stipend Discussion
- [13.](#) Consideration to amend the City's current Purchasing Policy
14. Public Comments
15. Mayor's Updates
16. Committee/Liaison Updates
17. City Administrator Updates

The Agenda for each regular meeting and special meeting (except a meeting held in the event of a bona fide emergency, rescheduled regular meeting, or any reconvened meeting) shall be posted at the City Hall and at the location where the meeting is to be held at least forty-eight (48) hours in advance of the holding of the meeting. The City Council shall also post on its website the agenda for any regular or special meetings. The City Council may modify its agenda for any regular or special meetings. The City Council may modify its agenda before or at the meeting for which public notice is given, provided that, in no event may the City Council act upon any matters which are not posted on the agenda at least forty-eight (48) hours in advance of the time for the holding of the meeting.

18. **Executive Session-5 ILCS 120/2(c)(1)**-The appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body or legal counsel for the public body, including hearing testimony on a complaint lodged against an employee of the public body or against legal counsel for the public body to determine its validity.

19. Vehicle Discussion



Agenda Memo**Crest Hill, IL**

Meeting Date: June 12, 2023
Submitter: Mayor Raymond R. Soliman
Department: Mayor's Office
Agenda Item: Festa Italian Parade

Summary:

Ms. Christina Hayden and Dan Brandolino respectfully request approval for the use of our Police Officers and for the road closure for the annual Festa Italiana Parade to be held on Sunday, August 13, 2023 at 12:00 noon. Your consideration in this matter would be greatly appreciated.

Recommended Council Action:**Financial Impact:****Funding Source:****Budgeted Amount:****Cost:****Attachments:**



Agenda Memo**Crest Hill, IL**

Meeting Date: June 12, 2023
Submitter: Mayor Raymond R. Soliman
Department: Mayor's Office
Agenda Item: Three Day Liquor License Waiver

Summary:

Ms. Christina Hayden and Dan Brandolino representing the American Italian Cultural Society are respectfully requesting a waiver of the permit fee for a three-day liquor license for Friday, August 11, 2023, Saturday, August 12, 2023 and Sunday, August 13, 2023 for the annual Festa Italiana Picnic.

Additionally, Ms. Hayden is respectfully requesting a waiver for all permit fees associated with signage for the Festa Italiana Picnic held on the same weekend. Your consideration in this matter would be greatly appreciated.

Recommended Council Action:**Financial Impact:****Funding Source:****Budgeted Amount:****Cost:****Attachments:**



Agenda Memo

Crest Hill, IL

Meeting Date:	06-12-2023
Submitter:	Police Chief Edward Clark
Department:	Police Department
Agenda Item:	Retirement of Police Canine and new police dog acquisition

Summary: Officer John McHale resigned from the Crest Hill Police Department on May 29, 2023. He was our canine handler. The Police Department was initially intent on retrieving Simo, providing training to transfer him to a new handler, with city council approval. I was contacted by Will County States Attorney Jim Glasgow who was aware of Officer McHale's departure. He provided me with an alternative. Glasgow informed me that he would purchase a new dog for our department and provide all the training needed to certify the dog for policework. This dog would be a single purpose dog, just as Simo was (Drug detection, article search, tracking). I also would obtain a German Shorthair Pointer.

I believe this is the best course of action. The Canine program has been very successful as a public relations tool and in the field, assisting Law Enforcement. I have attached a list of successful cases where Simo has been invaluable to our Agency and our local partners.

Simo is now 7 years old. He has had surgery for gastric torsion and issues with tearing a dew claw. He is currently operational and effective; however, no one knows for exactly how long. He was obtained from the Berwyn Police Department, and this would be his third handler if we kept him. Obtaining a new dog will help the new handler and our agency start fresh with a new canine.

I recommend retiring Simo from Policework and allowing handler John McHale to keep him. We will have a document drafted that will turn over all responsibility and liability over to McHale, and an ordinance to surplus city property. I look forward to discussing this with you.

Thank you for your support of the Police Department.

Recommended Council Action: Approval of retirement of Police Canine Simo and the acquisition of a new police dog.

Financial Impact: \$0

Funding Source: General Fund

Budgeted Amount: \$11,600.00

Cost: \$0

Attachments: Deployment Reports

Deployment Report

John McHale and K9 Simo, Crest Hill Police
Wednesday, April 15, 2020 at 3:09 AM

Overview

Category: Patrol Deployment

Address

Report Reviewed: No

Requesting Agency: Joliet PD

Patrol Types: 1 (Tracking: 1)

Deployment Reason: Subjects ran from a stolen car, PSD Simo was requested for a trak.

Tracking

Terrain Types: Concrete

Total People Found: 1

Track Distance: 10 Yards

People Unintentionally Bitten: 0

Track Duration: 1 minute

Total Arrests: 1

Humans Crossing Track: 0

Arrests With Bites: 0

Animals on Track: 0

Comments

PSD Simo located the odor, tracked a short distance and came to a point when he located the subject hiding between a house and car

Weather

Conditions: Clear, 32°F

Wind: W, 3 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Wednesday, September 30, 2020 at 8:00 PM

Overview

Category: Detection Deployment

Addre

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 10 (Rooms: 6, Vehicles: 4)

Requesting Agency: JMANS

Alerts / Indications: 5

Indication #1: Vehicle

Name: Blue Chevrolet Silverado. Type: Truck

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Drugs

Sub-Type: Cocaine

Concealed Location: Center console of vehicle

Amount: 1 Grams

Packaging: Plastic

Indication #2: Room

Name: Master Bedroom

Description: Bedroom with bed, tv and dressers

Seizure Incidents: 1

Odor Type: Drugs

Sub-Type: Cocaine

Concealed Location: On top of dresser

Amount: 9.95 Grams

Packaging: Plastic

Indication #3: Room

Name: Garage

Description: 2 car garage with vehicle inside along with a pool table and storage areas.

Seizure Incidents: 1

Odor Type: Drugs

Sub-Type: Cocaine

Amount: 0.5 Kilograms

Packaging: Plastic



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Wednesday, September 30, 2020 at 8:00 PM

Concealed Location: Ziplock bag box on the ground

Description: Unknown the exact amount at this location, over 1/2 kilo was located in total.

Indication #4: Room

Name: Garage

Description: 2 car garage with vehicle inside along with a pool table and storage areas.

Seizure Incidents: 1

Odor Type: Drugs

Amount: 0.5 Kilograms

Sub-Type: Cocaine

Packaging: Plastic

Concealed Location: Storage cabinets on the South side of garage

Description: Unknown the exact amount at this location, over 1/2 kilo was located in total.

Indication #5: Room

Name: Garage

Description: 2 car garage with vehicle inside along with a pool table and storage areas.

Seizure Incidents: 1

Odor Type: Drugs

Amount: 0.5 Kilograms

Sub-Type: Cocaine

Packaging: Plastic

Concealed Location: Storage cabinets on the north side of the garage

Description: Unknown the exact amount at this location, over 1/2 kilo was located in total.

Comments

PSD Simo alerted on numerous items inside the garage and 1 inside the master bedroom. The garage had visible white powder substances in numerous areas and during a detailed search Simo made alerts on cabinets inside of the garage



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, February 23, 2021 at 10:40 PM

Overview

Category: Patrol Deployment

Address:

Report Reviewed: No.

Requesting Agency: CHPD

Patrol Types: 1 (Evidence Search: 1)

Deployment Reason: Article search for evidence.

Evidence Search

Terrain Types: Grass/vegetation, Snow

Total People Found: 1

Search Duration: 2 minutes

People Unintentionally Bitten: 0

Approx. Area Size: 15 Square yards

Total Arrests: 1

Arrests With Bites: 0

Article Description: Handgun

Comments

CHPD officers located a firearm hidden in the snow prior to my arrival. PSD Simo did a article search of the entire backyard and only alerted on the handgun hidden in the snow.

Weather

Conditions: Partly Cloudy, 36°F

Wind: S, 11 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, March 8, 2021 at 2:05 AM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: Shorewood PD

Alerts / Indications: 1

Indication #1: Vehicle

Name: Gold Honda Accord. Type: Passenger car

Description: Registered in IL,

Seizure Incidents: 1

Odor Type: Drug Paraphernalia

Amount: 1 Items

Sub-Type: Paraphernalia

Packaging: Glass

Concealed Location: Between front passenger door and front passenger seat

Description: Glass methamphetamine pipe with residue

Comments

PSD Simo sniffed the driver and passenger side open windows
Interior search was conducted and PSD Simo came to a final indication by
near the base of the front passengers seat between the seat and door. I located a glass
methamphetamine pipe with residue. Another pipe was located in the glove box and the driver had a small
amount of methamphetamine in his possession.



Deployment Report

Case: Search Warrant- WCPAT

John McHale and K9 Simo, Crest Hill Police

Monday, March 8, 2021 at 6:00 AM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Requesting Agency: WCPAT

Dog-Assisted Arrests: 1

Alerts / Indications: 4

Environments: 7 (Rooms: 7)

Indication #1: Room

Name: Loft / Bedroom

Description: 2 beds, dresser, nightstand and clothing in the loft.

Seizure Incidents: 1

Odor Type: Drugs

Amount: 230 Grams

Sub-Type: Marijuana

Packaging: Plastic

Concealed Location: Under blankets on one of the beds

Description: Large heat sealed bags of cannabis. 230g grams is just a estimate from what I observed, there was a total of 1960g of cannabis located through PSD Simo's alerts.

Indication #2: Room

Name: Loft / Bedroom

Description: 2 beds, dresser, nightstand and clothing in the loft.

Seizure Incidents: 1

Odor Type: Drugs

Amount: 10 Grams

Sub-Type: Marijuana

Packaging: Glass

Concealed Location: Inside nightstand drawer

Description: Vape cartridges of cannabis. 10g grams is just a estimate from what I observed, there was a total of 1960g of cannabis located through PSD Simo's alerts.

Indication #3: Room

Name: Bedroom 2

Description: Smaller room with bed, small dresser and closet



Deployment Report

Case: Search Warrant- WCPAT

John McHale and K9 Simo, Crest Hill Police

Monday, March 8, 2021 at 6:00 AM

Seizure Incidents: 1**Odor Type:** Drugs**Amount:** 150 Grams**Sub-Type:** Marijuana**Packaging:** Plastic**Concealed Location:** Top shelf in closet**Description:** Large heat sealed bags of cannabis. 150g grams is just a estimate from what I observed, there was a total of 1960g of cannabis located through PSD Simo's alerts.

Indication #4: Room

Name: Master Bedroom**Description:** Larger bedroom with bed, 2 closets and 2 dressers**Seizure Incidents:** 1**Odor Type:** Currency**Amount:** 2100 USD**Sub-Type:** Circulated**Packaging:** None**Concealed Location:** Under bed**Description:** Assorted USC that was thrown under the master bed

Comments

PSD Simo made numerous alerts on cannabis in the residence. Strong odor of cannabis all over the second level of the house but PSD Simo was still able to find the larger sources and alert on them. In the master bedroom PSD Simo showed alerts under the bed but could not fit under it. It appeared that money was just thrown under the bed upon police arrival



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Saturday, April 17, 2021 at 7:13 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Requesting Agency: McHale#107

Dog-Assisted Arrests: 1

Alerts / Indications: 2

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Blue Chevrolet Blazer. Type: SUV

Description: Registered in IL ,

Seizure Incidents: 1

Odor Type: Drugs

Amount: 6.5 Grams

Sub-Type: Methamphetamine

Packaging: Plastic

Concealed Location: Under vehicle inside a magnetic lockbox attached to vehicle frame

Indication #2: Vehicle

Name: Blue Chevrolet Blazer. Type: SUV

Description: Registered in IL ,

Seizure Incidents: 1

Odor Type: Drug Paraphernalia

Amount: 2 Items

Sub-Type: Paraphernalia

Packaging: None

Concealed Location: Storage pouch on back of drivers seat.

Description: Chore boy and light blue weighmax digital scale.

Comments

PSD Simo was crawling under the vehicle from the passengers side towards the drivers side. I pulled him out because I did not want him to get burned by any vehicle parts. Simo then began to crawl under the vehicle again, Told my back up officer about that alert so he looked under the vehicle and observed a magnetic lockbox on the vehicle frame near the drivers door. A second alert was when Simo stuck his head inside the open drivers window



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Wednesday, April 21, 2021 at 3:25 PM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: J.McHale#107

Alerts / Indications: 1

Indication #1: Vehicle

Name: Blue Chevrolet Blazer. Type: SUV

Description: Registered in IL,

Seizure Incidents: 1

Odor Type: Drug Paraphernalia

Sub-Type: Paraphernalia

Concealed Location: floorboard-drivers side

Description: chore boy, pipe

Amount: 2 Items

Packaging: None

Comments

PSD Simo began with a cursory search and then a detailed search. during the detailed search near the back hatch of the vehicle PSD Simo sniffed near the back window and remained on standing on the back of the vehicle,



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Saturday, April 24, 2021 at 2:33 AM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: McHale#107

Alerts / Indications: 1

Indication #1: Vehicle

Name: White Nissan Kicker. Type: SUV

Description: Registered in IL,

Seizure Incidents: 1

Odor Type: Drugs

Sub-Type: Cocaine

Concealed Location: Inside a cigarette box

Amount: 0.5 Grams

Packaging: Plastic

Comments

PSD Simo was given his drug command and began a cursory search on the passenger side of the vehicle. PSD Simo stuck his head in the open passenger side window, where he was with his 2 front paws on the vehicle. A small amount of suspected cocaine was located in a cigarette box.



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, April 26, 2021 at 12:02 AM

Overview

Category: Patrol Deployment

Address:

Report Reviewed: No

Requesting Agency: Bolingbrook PD

Patrol Types: 3 (Evidence Search: 3)

Deployment Reason: Assist to Bolingbrook PD for a shots fired call. PSD Simo was deployed for an article search to locate evidence.

Evidence Search

Terrain Types: Grass/vegetation, Dirt/sand, Concrete

Total People Found: 0

Search Duration: 7 minutes

People Unintentionally Bitten: 0

Approx. Area Size: 15 Square yards

Total Arrests: 0

Arrests With Bites: 0

Article Description: Spent shell casing

Evidence Search

Terrain Types: Grass/vegetation

Total People Found: 1

Search Duration: 5 minutes

People Unintentionally Bitten: 0

Approx. Area Size: 15 Square yards

Total Arrests: 1

Arrests With Bites: 0

Article Description: Handgun

Evidence Search

Terrain Types: Grass/vegetation

Total People Found: 0

Search Duration: 8 minutes

People Unintentionally Bitten: 0

Approx. Area Size: 15 Square yards

Total Arrests: 0

Arrests With Bites: 0

Comments

PSD Simo located a spent shell casing in the back yard next to the front tire of a motorcycle.



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, April 26, 2021 at 12:02 AM

PSD Simo did an article search in the front yard of ; Simo located a firearm under a vehicle
that was hidden near the rear passenger side tire.

Article search at nothing was located

Weather

Conditions: Partly Cloudy, 40°F

Wind: E, 6 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Wednesday, June 16, 2021 at 7:14 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Dog-Assisted Arrests: 2

Environments: 1 (Vehicles: 1)

Requesting Agency: Romeoville PD

Alerts / Indications: 1

Indication #1: Vehicle

Name: Silver Jeep Cherokee. Type: SUV

Description: Registered in IL,

Seizure Incidents: 2

Odor Type: Drugs

Amount: 22 Grams

Sub-Type: Marijuana

Packaging: Plastic

Concealed Location: Passenger side door and center console

Odor Type: Firearms

Amount: 1 Items

Sub-Type: Hand Gun

Packaging: None

Concealed Location: Drivers side floor

Description: (1) Glock 22 40cal.

(21) 40 cal rounds and extended magazine

Comments

PSD Simo began a cursory search on the passenger side of the vehicle. When doing a detailed search on the drivers side PSD Simo sniffed through the open drivers window, while looking at the open window. I continued to walk towards the back of the vehicle and PSD Simo did not move. I then started walking behind Simo and there was no change in his behavior. Firearm and cannabis were located in the vehicle.



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, June 22, 2021 at 8:45 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: CHPD

Alerts / Indications: 1

Indication #1: Vehicle

Name: Blue Chevrolet Malibu. Type: Passenger car

Description: Registered in IL,

Seizure Incidents: 3

Odor Type: Drug Paraphernalia

Amount: 3 Items

Sub-Type: Paraphernalia

Packaging: Plastic

Concealed Location: Inside of purse

Description: Black plastic bag containing 2 bundles of Chore Boy and 3 glass crack pipes

Odor Type: Drugs

Amount: 1 Grams

Sub-Type: Cocaine

Packaging: None

Concealed Location: Inside of purse

Description: 3 off white rock like substances that tested positive for cocaine

Odor Type: Drugs

Amount: 1 Grams

Sub-Type: Heroin

Packaging: Paper

Concealed Location: Folded up paper inside of purse

Description: Off white powder substance that tested positive for heroin

Comments

PSD Simo began a cursory search on the passengers side of the vehicle. The door was left open and PSD Simo alerted on the front passengers seat. Simo remained on the odor as I continued to walk



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, August 17, 2021 at 11:15 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Requesting Agency: J.McHale#107

Dog-Assisted Arrests: 1

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Black Chrysler PT Cruiser. Type: Passenger car

Description: Registered in IL ,

Seizure Incidents: 2

Odor Type: Drug Paraphernalia

Amount: 1 Items

Sub-Type: Paraphernalia

Packaging: Plastic

Concealed Location: Inside a plastic grocery bag in the back seat

Description: Plastic bag containing choreboy and a glass crack pipe with burns marks and residue inside

Odor Type: Drugs

Amount: 1 Grams

Sub-Type: Cocaine

Packaging: None

Concealed Location: Under the front passenger seat

Description: 3 small off white rock like substances that tested positive for the presence of cocaine.

Comments

Vehicle was leaving a drug house and a traffic stop was completed for a sign violation. PSD Simo was given his narcotics command and began to sniff the passenger side of the vehicle. Simo put his head inside the open front passengers door and came to a final indication on the front passenger side floor. The recovered narcotics were on the floor just under the seat



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, October 18, 2021 at 12:20 AM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Requesting Agency: McHale#107

Dog-Assisted Arrests: 2

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: BMW 750

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Drugs

Amount: 1.25 Grams

Sub-Type: Crack Cocaine

Packaging: None

Concealed Location: inside of the rear passengers shoe

Comments

Traffic stop was conducted on a vehicle leaving a suspected drug house. PSD Simo was deployed and a cursory search was started. PSD Simo started in the front of the vehicle and then proceeded towards the open drivers door of the vehicle. while standing on the bottom of the door frame. When a search of the vehicle was completed I located 6 used crack pipes, 2 xanax pills in the passengers purse, approximately 1.25 g of crack cocaine in the rear passengers shoes, syringes and there were crumbs of suspected crack cocaine throughout the entire vehicle both on the seats and floor.

Weather

Conditions: Clear, 46°F

Wind: SW, 3 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, December 14, 2021 at 7:31 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 2 (Rooms: 2)

Requesting Agency: WCPAT

Alerts / Indications: 2

Indication #1: Room

Name: Garage

Seizure Incidents: 1

Odor Type: Drugs

Amount: 15344.18 Grams

Sub-Type: Marijuana

Packaging: Plastic

Concealed Location: Cannabis was located in tool boxes, fridge and numerous cardboard boxes in the garage

Indication #2: Room

Name: Master Bedroom

Seizure Incidents: 1

Odor Type: Currency

Amount: 6750 USD

Sub-Type: Circulated

Packaging: None

Concealed Location: Locked Safe

Comments

PSD Simo was deployed for a WCPAT search warrant. The garage was filled with cannabis in numerous drawers and boxes in the garage, over 15,000g was located. In the master bedroom in the basement, during a detailed search in a closet, Simo sniffed a locked safe on a shelf in the closet. Simo began to sniff numerous edges of the safe, push the safe with his nose and then looking up at the safe that was on a shelf. 6,750 USD was located in the safe.

Weather

Conditions: Cloudy, 48°F

Wind: S, 12 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Friday, March 4, 2022 at 8:30 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Requesting Agency: J.McHale#107

Dog-Assisted Arrests: 2

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Cadillac Deville

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Drug Paraphernalia

Amount: 19 Items

Sub-Type: Paraphernalia

Packaging: None

Concealed Location: backpack and pouch tucked into subjects pants

Comments

PSD Simo was deployed for a exterior sniff of the vehicle. A cursory search was started on the passenger side of the vehicle. Simo continued to the drivers side and jumped up towards the slightly opened window of the drivers door. Simo then , and looked up towards the top of the window. The following items were seized: clear plastic bags with residue, 9 syringes, 2 bundles of choreboy and 10 crack pipes.

Weather

Conditions: Partly Cloudy, 38°F

Wind: SE, 10 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Sunday, May 29, 2022 at 7:45 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: J.McHale#107

Alerts / Indications: 1

Indication #1: Vehicle

Name: Jeep Liberty

Description: Registered in IL, US.

Seizure Incidents: 2

Odor Type: Drug Paraphernalia

Sub-Type: Paraphernalia

Concealed Location: Driver side floorboard

Amount: 3 Items

Packaging: None

Odor Type: Drugs

Sub-Type: Crack Cocaine

Concealed Location: Between drivers seat and center console

Amount: 2.1 Grams

Packaging: Plastic

Comments

PSD Simo was given his narcotics command and began a cursory search on the drivers side of the vehicle. Simo sniffed the floorboard on the front drivers side and

5. Numerous crack pipes were located, crack cocaine and Alprazolam.

Weather

Conditions: Partly Cloudy, 79°F

Wind: S, 17 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, June 7, 2022 at 10:34 AM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: J.McHale#107

Alerts / Indications: 1

Indication #1: Vehicle

Name: Lexus unk

Description: Registered in IL, US.

Seizure Incidents: 3

Odor Type: Drugs

Amount: 9 Grams

Sub-Type: Crack Cocaine

Packaging: Plastic

Concealed Location: Under drivers leg

Odor Type: Drugs

Amount: 5 Grams

Sub-Type: Heroin

Packaging: Plastic

Concealed Location: In bra

Odor Type: Drug Paraphernalia

Amount: 3 Items

Sub-Type: Paraphernalia

Packaging: Plastic

Concealed Location: various locations

Comments

Traffic stop was conducted, R/O observed a clear plastic bag under drivers leg. Driver was removed from the vehicle and Simo was deployed. PSD Simo began a cursory search and sniffed near the drivers seat and floorboard.

Weather

Conditions: Partly Cloudy, 63°F

Wind: NE, 9 mph



Deployment Report

Case: N/A

John McHale and K9 Simo, Crest Hill Police

Wednesday, June 22, 2022 at 9:40 PM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Requesting Agency: WCPAT

Dog-Assisted Arrests: 1

Alerts / Indications: 0

Environments:

Comments

PSD Simo was requested by WCPAT for the execution of a search warrant at Simo made numerous alerts in the master bedroom of the apartment. Alerts were a small refrigerator next to the bed which appeared to have cannabis products inside of it. Other alerts were in the closet of the master bedroom and a dresser in the bedroom.

Simo was then brought into the kitchen, I noticed a behavior change near the stove in the kitchen. However, there was another dog in the apartment and that barking non stop and very loud which was distracting Simo. No final alert was done by Simo, I later searched that area above the microwave and recovered suspected cocaine.

Simo was then requested to sniff a black Dodge with IL registration Simo began a cursory search on the passenger side of the vehicle and continued towards the front of the vehicle. Simo made behavior changes near the drivers door of the vehicle and trunk area. When Simo reached the passenger side of the vehicle again he came to a final alert in the passenger side door of the vehicle. Simo found Cannabis in plain view as I looked through the window of the vehicle after the alert.

For the total amounts of recovered evidence see the WCPAT report

Weather

Conditions: Clear, 80°F

Wind: N, 3 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, September 26, 2022 at 10:36 AM

Overview

Category: Detection Deployment

Location: Ingalls Ave

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: J.McHale#107

Alerts / Indications: 1

Indication #1: Vehicle

Name: Toyota Solara

Description: Registered in IL, US.

Seizure Incidents: 2

Odor Type: Drug Paraphernalia

Amount: 2 Items

Sub-Type: Paraphernalia

Packaging: Glass

Concealed Location: Glass pipe under drivers seat and glass pipe inside cigarette pack

Odor Type: Drugs

Amount: 2 Grams

Sub-Type: Crack Cocaine

Packaging: Plastic

Concealed Location: Crack rock under drivers seat and bag of crack cocaine inside of cigarette pack in cup holder between front seats

Comments

Cursory search on the passenger side of the vehicle. PSD Simo alerted after sniffing near open passenger side window. PSD Simo . Detailed search inside vehicle on the drivers side, alert by PSD Simo as he sniffed under the drivers seat. Items were located under drivers seat and in a cigarette pack that was located in cup holder between the front seats.

Weather

Conditions: Clear, 59°F

Wind: NW, 15 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, October 24, 2022 at 11:05 PM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: J. Close#124

Alerts / Indications: 1

Indication #1: Vehicle

Name: Pontiac Aztek

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Drugs

Sub-Type: Crack Cocaine

Concealed Location: On drivers seat

Amount: 1 Grams

Packaging: None

Comments

K-9 Simo conducted a free air sniff of a vehicle leaving a known drug house. A cursory search began on the rear passenger side of the vehicle. PSD Simo continued to the drivers side of the vehicle and showed behavior changes on the drivers side front and rear doors.

near the B pillar of the vehicle coming to a final alert. The backseat passenger was arrested on a warrant and a small crack cocaine rock was located on the drivers seat of the vehicle. The driver was not charged due to the amount being so small, the rock was collected by reporting officer for destruction.

Weather

Conditions: Partly Cloudy, 66°F

Wind: S, 15 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, December 19, 2022 at 10:27 PM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Requesting Agency: J. Close#124

Dog-Assisted Arrests: 1

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Dodge Caravan

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Drug Paraphernalia

Amount: 7 Items

Sub-Type: Paraphernalia

Packaging: Glass

Concealed Location: Numerous glass pipes used to smoke crack cocaine

Comments

PSD Simo conducted a free air sniff of the vehicle and alerted under the drivers seat of the vehicle. Simo began on the passenger side of the vehicle and continued to the drivers side when he

Weather

Conditions: Partly Cloudy, 14°F

Wind: SW, 1 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, December 20, 2022 at 1:47 AM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: J. Close#124

Alerts / Indications: 1

Indication #1: Vehicle

Name: Chevrolet S-10

Description: Registered in IL, US.

Seizure Incidents: 2

Odor Type: Drug Paraphernalia

Sub-Type: Paraphernalia

Concealed Location: Throughout the vehicle

Amount: 6 Items

Packaging: Glass

Odor Type: Firearms

Sub-Type: Ammunition

Concealed Location: Center console and drivers door

Amount: 10 Items

Packaging: None

Comments

PSD Simo conducted a free air sniff of the vehicle on the passenger side and alerted by
Numerous bags with white residue were located along with burnt foil in
the vehicle. A detailed search was conducted and ammunition was found

Weather

Conditions: Partly Cloudy, 23°F

Wind: S, 3 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, January 23, 2023 at 12:10 AM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: Plainfield Police Department

Alerts / Indications: 1

Indication #1: Vehicle

Name: Hyundai Sonata

Description: Registered in IL, US.

Seizure Incidents: 3

Odor Type: Firearms

Amount: 1 Items

Sub-Type: Ammunition

Packaging: None

Concealed Location: Drivers side

Odor Type: Drug Paraphernalia

Amount: 1 Items

Sub-Type: Paraphernalia

Packaging: None

Concealed Location: Grinder located in the truck

Odor Type: Drugs

Amount: 2 Grams

Sub-Type: Marijuana

Packaging: None

Concealed Location: Rolled blunt on passenger side

Comments

PSD Simo was deployed on a traffic stop. Simo showed a behavior change near the drivers door of the vehicle. I had him continue to check the rest of the vehicle and showed another behavior change by the base of the front passenger side door. Simo . I tried to get Simo to keep checking other parts of the vehicle but he refused to leave his current location. A firearm, suspected cannabis shake, a rolled blunt and a grinder was located in the vehicle. See CHPD report : for further



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, January 23, 2023 at 12:10 AM

Weather

Conditions: Cloudy, 26°F

Wind: NW, 9 mph



PACKTRACK report printed by Jason Opiola, Crest Hill Police Department, IL.
Wednesday, June 7, 2023 at 8:03 PM

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Deployment Report

John McHale and K9 Simo, Crest Hill Police
Thursday, February 9, 2023 at 12:15 AM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Requesting Agency: J.McHale#107

Dog-Assisted Arrests: 1

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Cadillac SRX

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Drug Paraphernalia

Amount: 1 Items

Sub-Type: Paraphernalia

Packaging: None

Concealed Location: On driver

Comments

PSD Simo conducted a free air sniff of a vehicle on a traffic stop. Simo started a cursory search on the passenger side and continued to the front of the vehicle. Simo sniffed the open front drivers side window and came to a final alert by

The driver had a metal crack pipe in her possession. In the drivers door of the vehicle was a small rubber container with a white residue inside of it. The white residue tested positive for the presence of cocaine but there was not enough to collect for evidence.

Weather

Conditions: Cloudy, 38°F

Wind: E, 9 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Thursday, March 23, 2023 at 6:55 PM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Requesting Agency: ISP

Dog-Assisted Arrests: 2

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Toyota Sienna

Description: Registered in IL, US.

Seizure Incidents: 1

Odor Type: Firearms

Amount: 1 Items

Sub-Type: Hand Gun

Packaging: None

Concealed Location: Inside a small nylon bag

Comments

ISP requested a free air sniff of a vehicle they had on a traffic stop. Simo began a cursory search on the rear passenger side of the van while moving towards the front on the passenger side. Simo showed a behavior change near the open front passenger side door by Simo then pulled me towards the vehicle and began sniffing near the base of the front passenger seat. Simo then I walked back and forth while stomping my feet but Simo refused to move. A search of the vehicle was conducted. A firearm and small amount of Cannabis was located. A missing female juvenile was located in the vehicle. Both males in the vehicle were charged with the firearm possession and the driver was also charged with agg criminal sexual assault.

Weather

Conditions: Clear, 46°F

Wind: N, 0 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, May 8, 2023 at 10:00 AM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Dog-Assisted Arrests: 1

Environments: 1 (Vehicles: 1)

Requesting Agency: Plainfield Police Department

Alerts / Indications: 1

Indication #1: Vehicle

Name: Chevrolet Impala

Description: Registered in IL, US.

Seizure Incidents: 2

Odor Type: Drugs

Sub-Type: Marijuana

Concealed Location: On driver

Amount: 3 Grams

Packaging: Plastic

Odor Type: Drugs

Sub-Type: pills

Concealed Location: On driver

Amount: 3 Items

Packaging: Plastic

Comments

I deployed PSD Simo for a free air sniff of the vehicle. I then gave Simo his narcotics command of 'Simo began a cursory search on the rear of the vehicle on the passenger side. Simo proceeded towards the front passenger side of the vehicle and showed a behavior change by towards the rear passenger side door. Simo then continued to the front of the vehicle on the passenger side and moved towards the drivers side of he vehicle. When Simo reached the opened front drivers door of the vehicle he stopped. Simo then pushed his nose on the front drivers seat of the vehicle and also sniffed at the base of the drivers seat of the vehicle. Simo then came to a final indication by I continued to walk back and forth but Simo refused to move. I then tightened the slack in Simo's leash and pulled on it but Simo refused to move.

Weather



PACSTRACK report printed by Jason Opiolo, Crest Hill Police Department, IL
Wednesday, June 7, 2023 at 8:09 PM

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Deployment Report

John McHale and K9 Simo, Crest Hill Police
Monday, May 8, 2023 at 10:00 AM

Conditions: Rain, Partially cloudy, 57°F

Wind: NE, 6 mph



PACKTRACK report printed by Jason Opols, Crest Hill Police Department, IL
Wednesday, June 7, 2023 at 8:09 PM

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Deployment Report

John McHale and K9 Simo, Crest Hill Police
Tuesday, May 9, 2023 at 2:37 AM

Overview

Category: Detection Deployment

Location:

Address:

Report Reviewed: No

Requesting Agency: McHale

Dog-Assisted Arrests: 1

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Indication #1: Vehicle

Name: Chevrolet Lumina

Description: Registered in IL, US.

Seizure Incidents: 2

Odor Type: Drug Paraphernalia

Amount: 1 Items

Sub-Type: Paraphernalia

Packaging: Glass

Concealed Location: Crack pipe inside a cigarette pack

Odor Type: Drugs

Amount: 4 Grams

Sub-Type: Crack Cocaine

Packaging: Plastic

Concealed Location: Inside a corner cut black bag which was inside a cigarette pack

Comments

I got PSD Simo from the vehicle and sat him down near the trunk of the vehicle on the passenger side. I gave him the narcotics command of "Down" and he began to sniff the rear passenger side of the vehicle moving towards the front of the car. As Simo approached the front passenger side door he stopped moving forwards and sniffed near the open front passenger side window. Simo immediately

. I continued to walk back and forth but Simo still refused to move.

Weather

Conditions: Partially cloudy, 52°F

Wind: N, 7 mph



Deployment Report

John McHale and K9 Simo, Crest Hill Police

Monday, May 15, 2023 at 2:39 PM

Overview

Category: Detection Deployment

Address:

Report Reviewed: No

Requesting Agency: ISP

Dog-Assisted Arrests: 1

Alerts / Indications: 1

Environments: 1 (Vehicles: 1)

Alerts Without Items Seized: No independent information that a target odor is present

Indication #1: Vehicle

Name: Honda CRV

Description: Registered in IL, US.

Seizure Incidents: 0

Comments

I got PSD Simo from the car and brought him to the rear passenger side of the Honda and sat him down. I then gave Simo his narcotics command " ". Simo then began to sniff the rear passenger side of the vehicle and was moving towards the front of the vehicle. While going forward Simo showed a behavior change by . Simo then put his head closer towards the open window, while looking up at the window. I then advised the ISP Trooper of the positive alert by PSD Simo.

The vehicle was found to have an illegal trap underneath the entire back seat of the vehicle. Simo later alerted under the back seat of the vehicle once he was put inside of the vehicle.

Weather

Conditions: Clear, 68°F

Wind: NE, 9 mph





City Council Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Maura Rigoni, AICP, Interim Planner
Department:	Community & Economic Development
Agenda Item:	Ryan LLC -TIF Eligibility Report/Study

Summary: In February of 2022 the City retained Kane, McKenna, and Associates to complete a TIF eligibility study to re-establish the Weber Road TIF. At that time, the area was divided into two section, east and west side of Weber Road, with the approval of the TIF on the west side of Weber Road in 2022.

To continue with the re-establishment of the original Weber Road TIF, the City has requested the consultants submit a proposal to carry out the eligibility study and establishment of the redevelopment plan for the property on the east side of Weber Road, see attached map outlining the approximate area of study.

Ryan LLC (who recently acquired Kane, McKenna, and Associates) has submitted an engagement letter for a TIF eligibility report/study for the area east of Weber Road, between Division Street to south of Caton Farm Road (Division Street TIF). Please note, we continue to work and correspond with the original team that was under Kane, McKenna and Associates.

The proposal includes the following:

- preparation of eligibility report
- preparation of TIF Redevelopment Plan
- provide TIF increment and cost projections
- finalize redevelopment plan
- assist in the notification and public hearing process

The contract fee is estimated at approximately \$45,000 to \$55,000. The contract outlines each step to be completed and the tasks involved with each step.

Recommended Council Action: If the Mayor and City Council are amenable to the proposal, I would ask that you authorize the City Attorney and Staff to prepare the necessary resolution executing a consulting services agreement.

Funding Source: N/A

Budgeted Amount: Zero

Attachments:

- Engagement Letter, Ryan LLC



311 South Wacker Drive
Suite 4800
Chicago, Illinois 60606
Main 312.980.1122
Fax 312.980.1132
www.ryan.com

April 14, 2023

Honorable Ray Soliman
Mayor
City of Crest Hill
1610 Plainfield Road
Crest Hill, Illinois 60403

RE: City of Crest Hill Engagement Letter - Division Street TIF

Dear Mayor Soliman:

Thank you for your interest in our financial consulting services. Pursuant to our discussions, Ryan LLC (“Consultant”) will provide services to the City of Crest Hill (“City”) for economic development services based on the scope of services below.

SCOPE OF SERVICES:

Ryan will assist the City with services for qualification and adoption of TIF designation for the area south of Division Street and east of Weber Road (the “Study Area”).

A. Preparation of TIF Eligibility Report

Consultant will assist City staff with determining and confirming likely boundaries for the proposed TIF redevelopment project area based upon site visits, historic assessed value analysis, and results of any analyses presently or previously undertaken by the City. City staff may be asked to provide assistance relating to provision of information and documentation such as GIS maps, land use surveys, City planning documents, and sources of information relating to occupancies, utility service, etc.

- 1) Consultant will investigate “priority areas” as identified by City staff for potential inclusion in a TIF redevelopment project area based upon the analyses described in Item 1) above and identify prospective development and redevelopment opportunities currently evident and ways to create opportunities where none may be apparent.
- 2) Review with City staff the preliminary boundaries for the area, as well as initial redevelopment goals and objectives specific to the proposed redevelopment area.
- 3) Review the characteristics of the proposed TIF site(s) and adjacent properties in order to recommend precise proposed boundaries for a TIF, and to assess applicable TIF potential qualification factors (strengths and weaknesses) of any identified area

in accordance with the provisions of Illinois law. Consultant's review will include site surveys, review of the City's past plans and policy materials, discussions with City officials and staff, and County data pertaining to equalized assessed valuation, tax rate, and tax collection trends

- 4) Prepare TIF Qualification Report for the proposed TIF area based upon the presence of eligibility factors and documentation required under Illinois law. Consultant will be available to discuss the findings with City staff and officials prior to completing the analysis. Also provide advice with respect to potential changes in the City's comprehensive plan and zoning map to ensure consistencies with land uses proposed for the redevelopment districts.

B. Preparation of TIF Redevelopment Plan

- 1) Review with City boundaries for the plan as well as redevelopment goals and objectives.
- 2) Prepare a draft TIF Redevelopment Plan for the area based upon the requirements of the TIF Act and the City's goals and objectives. Consultant will be available to discuss the findings with the City in meetings prior to completing the report.
- 3) Assist City to refine and document certain required parts of the TIF Redevelopment Plan such as the budget and projected Equalized Assessed Valuation pursuant to Illinois law requirements.
- 4) In the event that other local financing programs or economic development alternatives may be applicable, Consultant would identify these programs and their conditions for use by the City.

C. Provide TIF Increment and Cost Projections

- 1) Assist City staff to prepare the preliminary feasibility analysis of potential redevelopment projects incremental revenue (gross and net) and/or costs to summarize the potential funding advantages/disadvantages of various strategies.
- 2) Identify for the City principal strategies for incentives and potential funding mechanisms based upon the potential redevelopment projects' ability to generate property, and/or other incremental taxes to cover anticipated costs and/or debt service requirements.
- 3) Review with the City staff pros and cons of funding solely public improvements or considering extraordinary cost and gap financing utilization of TIF funding.

D. Finalize Redevelopment Plan

- 1) In conjunction with City staff, finalize TIF and boundaries for the proposed TIF area, and assist in the process of preparation of legal descriptions which identify the boundaries for each of the redevelopment areas.
- 4) Subsequent to the review of the draft redevelopment plan by the City Council, City staff, and other taxing districts (if applicable), revise the redevelopment plan sections in order to add relevant comments and/or corrections.

E. Prepare Public Hearing Notices

- 1) Assist City staff to prepare the public hearing resolution and the TIF public notices.
- 2) Prepare mailings for affected taxing districts and distribute notices to the taxing districts and the Illinois Department of Commerce and Economic Opportunity.

F. Coordinate Joint Review Board (JRB) Process

- 1) Provide agenda items, draft TIF ordinances, and other materials as required by the TIF Act.
- 2) Attend JRB meetings as necessary and appropriate.
- 3) Assist City staff to respond to JRB requests.
- 4) Assist City Counsel to prepare JRB resolutions relating to findings.

G. Preparation of Notices

- 1) Identify taxpayers located within the TIF district and obtain mailing information from the County.
- 2) Prepare mailings for taxpayers including review of delinquent taxpayers.
- 3) Manage the mailings to residents within 750 feet of the TIF District boundaries.
- 4) Assist City staff in coordinating publication of legal notices in local newspapers.

H. Attend Public Hearings and Required Meetings

- 1) Assist the City by participating in the required public hearing, and meetings with all interested and affected parties, including property owners.
- 2) Work with the City staff to meet all the requirements of Illinois law.

RESPONSIBILITIES

All services will be conducted under the supervision of Mr. Joe Stachnik, Principal. Mr. Philip R. McKenna will be the Project Leader for this engagement and will be responsible for staffing, project coordination, technical direction, and related issues.

FEES FOR SERVICES

Fees will be charged monthly at an hourly rate of \$290. Ryan's hourly rate fees will increase annually.

We estimate that the costs for the services to be approximately \$45,000 to \$55,000.

The above assumes that no Housing Impact Study is required for the proposed TIF District. If such a Study is needed, this contract would need to be amended.

Out of pocket expenses are not included in the hourly billing fees such as: Certified and other mailing costs, legal description, and newspaper notice/publication costs. Out of pocket expenses are to be paid by the City.

All invoices are due and payable in full within thirty (30) days. The City agrees to pay interest of one and one-half percent (1½%) per month on any past due fees. The City further agrees to pay all costs of collection, including, but not limited to, any collection agency or attorneys' fees incurred by Ryan in connection with fees more than sixty (60) days past due. Ryan's preferred method of payment is via electronic funds transfers ("EFT"), and EFT instructions will be provided to the City on each invoice. In the event the City is unable to remit payment via EFT, Ryan will accept checks, credit cards, or purchasing cards; however, if payment is made using a credit card or purchasing card, the City authorizes Ryan to add a processing fee to the payment. Such processing fee is currently three percent (3%) of the payment amount and is subject to change upon thirty (30) days prior notice. Out-of-pocket expenses are not inclusive of hourly rates.

NOTICE

Any notice to be given under this Agreement shall be given in writing and may be made by personal delivery or hand delivery by courier, by overnight reputable national courier, or by placing such in the United States certified mail, return receipt requested. Notices to the City should

Honorable Ray Soliman
City of Crest Hill
April 14, 2023
Page 5

be sent to the address indicated on the first page of this Agreement and notices to Ryan should be addressed as follows:

Ryan, LLC
Three Galleria Tower
13155 Noel Road
Suite 100
Dallas, Texas 75240
Attn: Chairman and CEO

With a copy to: Attn: General Counsel

INTEGRITY AND CONFIDENTIALITY

We guarantee that all matters associated with the professional services we render will be directed with the highest degree of professional integrity. Accordingly, all information that the City makes available to Ryan shall be considered confidential, proprietary information, and Ryan shall not disclose such information to any third party except as required in fulfilling duties described by this Agreement or to comply with an official order of a court of law.

Additionally, the City agrees that Ryan's work product, including specific engagement procedures and techniques, constitutes proprietary and exclusive information, and the City further agrees not to disclose such information to any third party without obtaining prior written approval from Ryan. Additionally, Ryan's tax saving strategies constitute proprietary and exclusive information; provided, however, that notwithstanding the foregoing, Ryan does not limit the City's disclosure of the tax treatment or the tax structures of the transactions. This Agreement does not include information independently developed by the City, information previously known to the City, or information rightfully received by the City from a third party without confidential limitations.

LAW GOVERNING AGREEMENT

This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. Exclusive venue for any dispute with respect to this Agreement shall reside in a court of competent jurisdiction in Chicago, Cook County, Illinois.

ACKNOWLEDGMENT

Thank you for the opportunity to assist you with this project. If the above terms and conditions meet with your approval, please sign, and return the enclosed copy of this Agreement at your convenience. Upon acceptance, we will contact you to arrange a mutually acceptable time to begin

Honorable Ray Soliman
City of Crest Hill
April 14, 2023
Page 6

Item 4.

our review. If you have any questions, or if you would like to discuss this Agreement further, please contact Mr. Joseph Stachnik at 312.980.1122.

RYAN, LLC:

CITY OF CREST HILL:

By: 

By: _____

Name: Joseph Stachnik

Name: Ray Soliman

Title: Principal

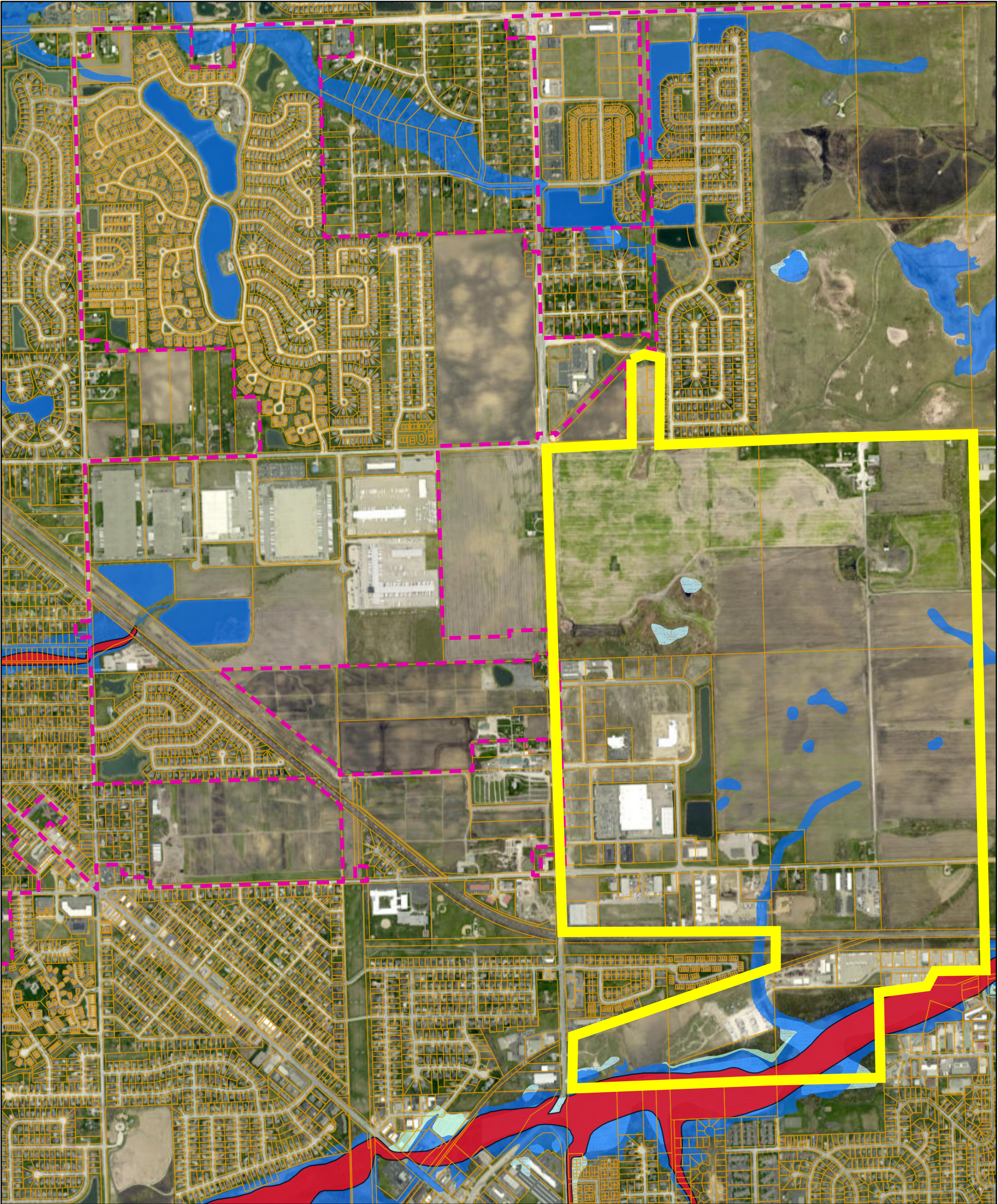
Title: Mayor

Date: April 14, 2023

Date: _____

City of Crest Hill
East Side of Weber Road, Division to South of
Caton Farm

Item 4.



4/27/2022, 11:11:22 AM

- City Limits

Parcels

Floodway

2019 - Floodway
- FloodPlain 100

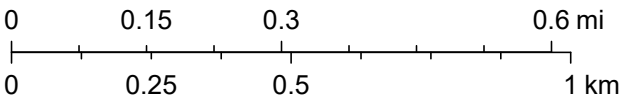
A; AE; AO

A; AE; AO

0.2 PCT ANNUAL CHANCE FLOOD HAZARD

Wetlands

1:18,056



Source: Esri, Maxar, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community



City Council Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Maura Rigoni, AICP, Interim Planner
Department:	Community & Economic Development
Agenda Item:	Home Essentials Special Use Truck Rental

Summary: Home Essentials Furniture has applied for a special use for truck rentals at the property located at 1701 N Larkin, Unit 305. The applicant would like to rental U-Hauls to their customers as a form of transportation of purchased furniture. It is not the applicants intent to provide U-Haul services to the general public, only to their patrons.

The Plan Commission gave a favorable recommendation for the special use conditioned upon:

- Prohibition of on-site advertisement of the U-Haul Operation
- Limiting the number of trucks to 3 on-site at one time.
- All trucks must be parked in the rear of the property, and at no time shall a U-Haul associated with the business be located in the parking lot in-front of the shopping center.

Recommended Council Action: If the Mayor and City Council are amenable to the proposed special use, I would ask that you authorize the City Attorney and Staff to prepare the necessary Ordinance and supporting documents to approve the request subject to the Findings of Fact and the conditions as outlined in the PC recommendation.

Funding Source: N/A

Budgeted Amount: N/A

Attachments:

- Plan Commission Report (and minutes) associated plans and documents



To: Plan Commission/ZBA
From: Maura A. Rigoni, AICP, Interim Planner
cc: Jim Marino, City Administrator
Date: May 11, 2023
Re: Home Essentials Furniture

Project Details

Project	Home Essentials Furniture
Request	SU Truck Rental
Location	1701 N Larkin

Site Details

Lot Size:	N/A
Existing Zoning	B2

Land Use Summary

	Land Use	Comp Plan	Zoning
Subject Parcel	Business	Business	B2
North	Commercial	Residential	B3
South	Commercial	Unincorporated	–
East	Commercial	Commercial	B3
West	Forest Preserve	N/A	B1

Attachments

Aerials.

Project Summary

Home Essentials Furniture has filed an application for a special use for truck rental associated with the business operation at 1701 N Larkin, Unit 305.

Analysis

In consideration of the request, the points of discussion and details are as follows.

- The property is currently zoned B-2 and is within the Hillcrest Shopping Center.
- The applicant currently operates a furniture store at this unit and would like to offer U-Haul truck rental for those customers in need of transportation of recently purchased furniture.
- The intent of the U-Haul rental is to provide this service for their customers and will not be advertising their establishment as a U-Haul distributor. **The Plan Commission may consider placing a condition prohibiting the on-site advertisement of the U-Haul operation.**
- The applicant proposes to have approximately 2-3 trucks on site. There is no storage of trailers, just trucks only. **The Plan Commission may consider placing a condition on the property limiting the number of trucks.**

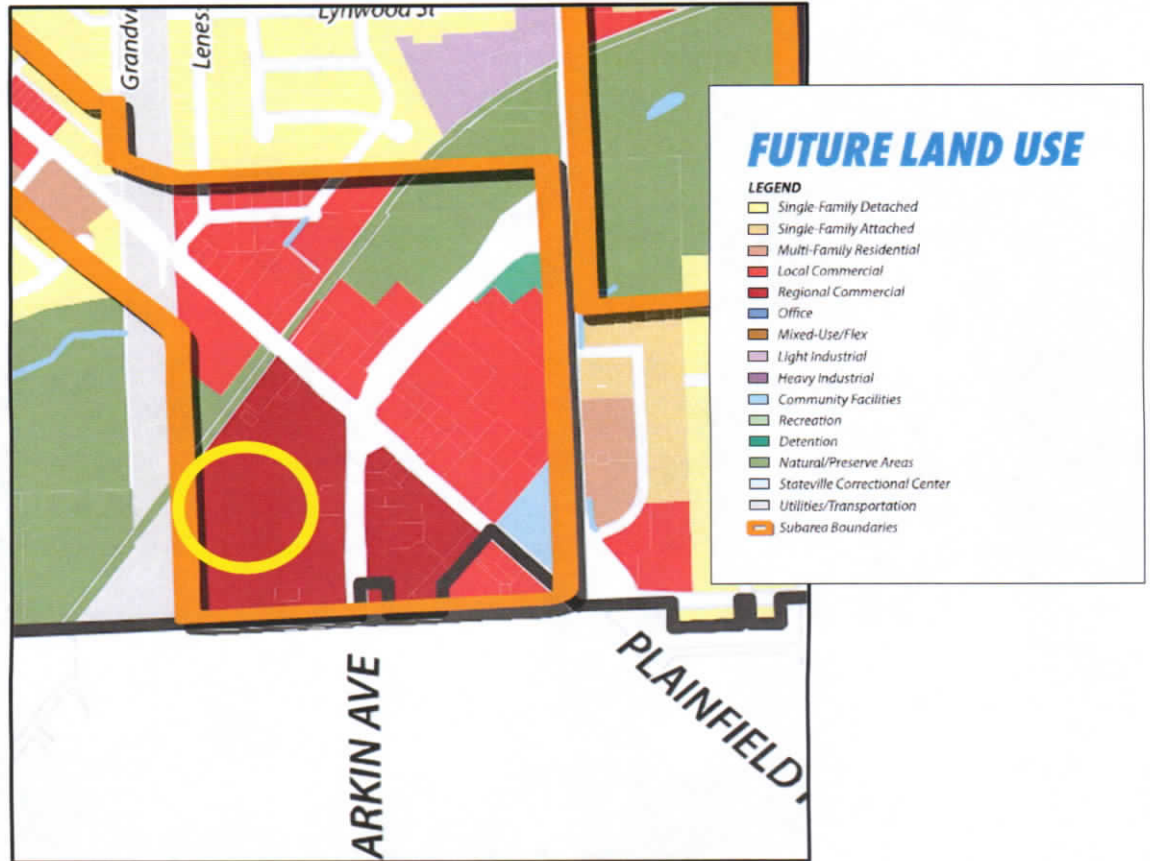
- The applicant proposes to locate the trucks in the rear of the property. **The Plan Commission may consider placing a condition limiting the location/storage of the trucks to the rear of the property.**
- The Plan Commission should consider and review the Standards of Special Use before making a recommendation. Those standards are attached to this report.

Items for discussion are as follows:

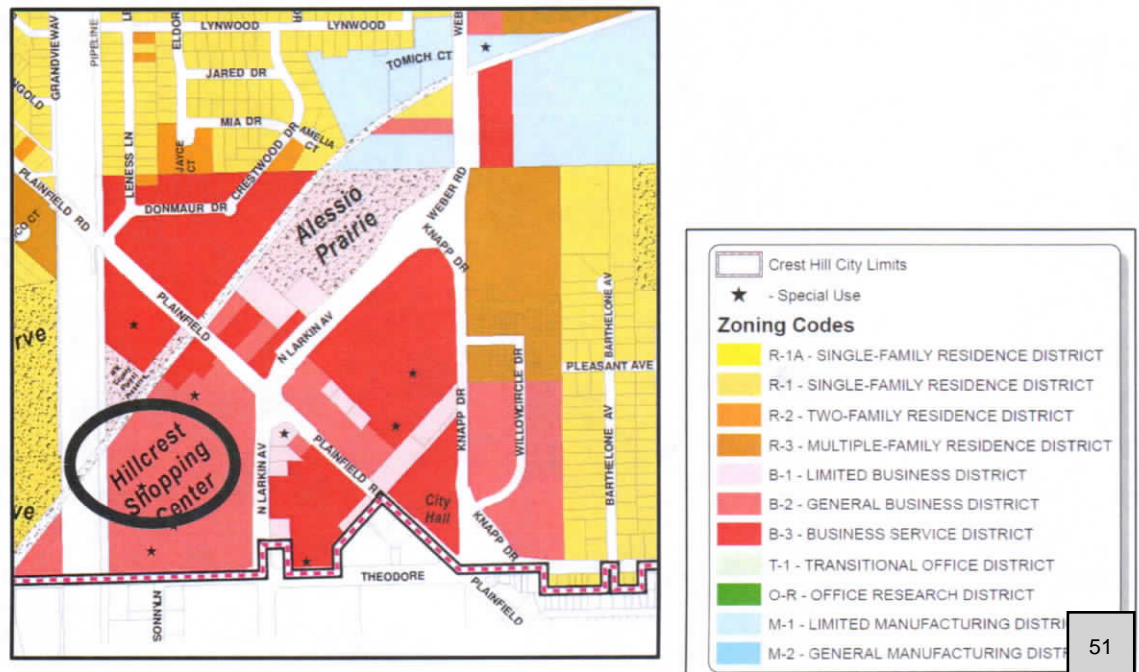
- The proposed use
- Advertisement
- Truck parking location and number

Please contact me at 815-412-2721 or mrigoni@reltd.com with any questions or concerns.

FUTURE LAND USE MAP-COMP PLAN 2014

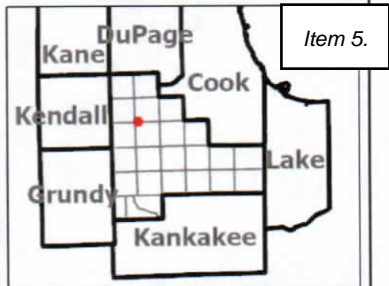


ZONING MAP





1701 N Larkin



Legend

- Parcels
- Townships



Notes

Date: 5/3/2023

1: 4,514



0 0.07 0.14 Miles



Projection

WGS_1984_Web_Mercator_Auxiliary_Sphere

Disclaimer of Warranties and Accuracy of Data: Although the data developed by Will County for its maps, websites, and Geographic Information System has been produced and processed from sources believed to be reliable, no warranty, expressed or implied, is made regarding accuracy, adequacy, completeness, legality, reliability or usefulness of any information. This disclaimer applies to both isolated and aggregate uses of the information. The County and elected officials provide this information on an "as is" basis. All warranties of any kind, express or implied, including but not limited to the implied warranties of merchantability, fitness for a particular purpose, freedom from contamination by computer viruses or hackers and non-infringement of proprietary rights are disclaimed. Changes may be periodically made to the information herein; these changes may or may not be incorporated in any new version of the publication. If you have obtained information from any of the County web pages from a source other than the County pages, be aware that electronic data can be altered subsequent to original distribution. Data can also quickly become out of date. It is recommended that careful attention be paid to the contents of any data, and that the originator of the data or information be contacted with any questions regarding appropriate use. Please direct any questions or issues via email to gis@willcountyilinois.com.

or benefits with respect to their impact upon neighboring property, public facilities, or the City as a whole.

12.7-2 INITIATION OF SPECIAL USES

Any person owning or having an interest in the subject property may file an application to use such land for one or more of the special uses provided for in the Ordinance in the zoning district in which the land is situated.

12.7-3 APPLICATION FOR SPECIAL USES

An application for a special use shall be filed with the Zoning Officer upon a form prescribed by the City (refer to the City of Crest Hill Development Handbook). The application shall be accompanied by such plans and/or data required as required by Section 9 of this Ordinance and the City of Crest Hill Development Handbook.

12.7-4 HEARING ON APPLICATION

Upon receipt, in proper form, of the application, the Plan Commission shall determine a reasonable time and place for the public hearing, published at least once, not more than thirty (30) days, and not less than fifteen (15) days before the hearing, in one or more newspapers published in the City, or if no newspaper is published therein, then in one or more newspapers with a general circulation within the City. The published notice may be supplemented by such additional form of notice as the Plan Commission, by rule, may require.

The applicant shall notify surrounding property owners within 300' no more than 30 days, no later than 15 days prior to the public hearing. At the applicant's expense, the City will post appropriate signage on the property for notification of the Public Hearing. Notification procedures shall follow those outlined the City of Crest Hill Development Handbook.

12.7-5 AUTHORIZATION

For each application for a special use, the Plan Commission shall report to the City Council its findings and recommendations, including the stipulations of additional conditions, and guarantees that such conditions will be complied with when they are necessary for the protection of the public interest within sixty (60) days of the public hearing. Upon receipt of the findings of fact and recommendations of the Plan Commission, the City Council shall act upon the proposed application for special use within sixty (60) days. The decision reached by the City Council shall take into account the submitted findings of fact and recommendations. If a special use is granted by the City, said special use shall be included in an ordinance passed by said City Council. If the special use is granted in said ordinance, the Zoning Officer shall issue a special use permit to the applicant subject to all applicable rules, regulations and conditions.

12.7-6 STANDARDS

No special use, including Planned Unit Developments, shall be recommended by the Plan Commission unless said Commission shall find:

1. That the establishment, maintenance, or operation of the special use will not be detrimental to or endanger the public health, safety, or general welfare.
2. That the special use will not be injurious to the use and enjoyment of other property in the immediate vicinity for the purposes already permitted, nor substantially diminish and impair property values within the neighborhood.
3. That the establishment of the special use will not impede the normal and orderly development and improvement of surrounding property for uses permitted in the district.
4. That adequate utilities, access roads, drainage, and/or other necessary facilities have been or are being provided.
5. That adequate measures have been or will be taken to provide ingress and egress so designed as to minimize traffic congestion in the public streets.
6. That special use shall in all other respects conform to the applicable regulations of this Ordinance and other applicable City regulations, except as such regulations may in each instance be modified by the City Council pursuant to the recommendation of the Plan Commission.

12.7-7 CONDITIONS AND GUARANTEES

Prior to the granting of any special use, the Plan Commission may recommend and the City Council shall stipulate, such conditions and restrictions upon the establishment, location, construction, maintenance and operation of the special use as deemed necessary for the protection of the public interest and to secure compliance with the standards and requirements specified herein. In all cases in which special uses are granted, the City Council shall require such evidence and guarantees as it may deem necessary as proof that the conditions stipulated in connection therewith are being and will be, complied with.

12.7-8 EFFECT OF DENIAL OF A SPECIAL USE

No application for a special use which has been denied wholly or in part by the City Council shall be resubmitted for a period of one (1) year from the date of said order of denial, except on the grounds of new evidence or proof of changed conditions found to be valid by the City Council.

12.7-9 REVOCATION

A special use shall be revoked if the testimony upon which the special use was granted was falsely given.

A special use will automatically be revoked if there is a discontinuance of the use for a period of twelve (12) consecutive months.

In any case where a special use has been granted, and where no special use development has taken place within one (1) year of granting thereof, then without

City of Crest Hill Development Handbook

Appendix C

Application for Development

For Office Use Only: Case Number:

Project Name: Home Essentials Furniture
 Owner: Ibrahim Altamimi Correspondence To: _____
 Street No: 1701 N. Larkin Street No: Unit 305
 City, State, Zip: Crest Hill, IL City, State, Zip: 60403
 Phone: (815) 409-7450 Phone: (785) 477-9693 *
 Email or fax: homeessentials19@yahoo.com Email or fax: _____

Property Address: Unit 305 Property Information:
 Street No: 1701 N. Larkin Ave Lot Width: _____
 City, State, Zip: Crest Hill, IL 60403 Lot Depth: _____
 PIN: _____ Total Area: _____

* Attach a copy of the legal description of the property and applicable fees.

* Submit electronic version of the legal description to:

mdeharo@cityofcresthill.com and lthrasher@cityofcresthill.com.

Existing Zoning: ☒ Existing Land Use: _____
 Requested Zoning: ☐ Proposed Land Use: _____

Adjoining Properties Zoning and Uses:

North of Property: B-3
 South of Property: R-1 N/A
 East of Property: B-3
 West of Property: R-1

Purpose Statement (intended use and approval sought): Rental equipment storage / NO large equipment, limited use

City of Crest Hill Development Handbook

Appendix C

Development Request: Please check all that apply and describe:

☐ Rezoning: _____

☒ Special Use: Parking, behind business

☐ Variance: Parking variance

☐ Planned Unit Development: _____

☐ Annexation: _____

☐ Plat: _____

☐ Other: _____

Contact Information – if not yet known, please indicate as TBD. Check those parties in which copies of all correspondences should be forwarded.

☐ Civil Engineer N/A Phone Number _____

Company _____ Email Address _____

☐ Contractor N/A Phone Number _____

Company _____ Email Address _____

☐ Architect N/A Phone Number _____

Company _____ Email Address _____

☐ Builder N/A Phone Number _____

Company _____ Email Address _____

I agree to be present (in person or by counsel) when the Plan Commission and City Council hear this development request.

[Signature]
Signature of the Applicant

02/18/23
Date

If you (the applicant) are not the owner of record, please provide the owner's signature.

[Signature]
Signature of the Owner Abraham Katz

2/14/23
Date



City Council Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Maura Rigoni, AICP, Interim Planner
Department:	Community & Economic Development
Agenda Item:	Events and Venues by James-Special Use Banquet Facility

Summary: Mr James Sankey has filed an application for a special use for a banquet facility to permit the operation of an event space at the property located at 21121 Division Street. The proposed location is adjoining Mr. Sankey's current business Cheesecake by James. The proposal for the banquet facility would permit the applicant to host various gatherings which include baby showers, birthday parties, corporate luncheons, and community events.

The application appeared before the PCZBA on May 11, 2023, at which time the request received a favorable recommendation, conditioned upon the following:

- The prohibition of the consumption of alcohol on the premises, both inside and outside the building.
- Review and approval of a security plan by the Crest Hill Police Department.
- Limiting the occupancy of the events space and the area associated with Cheesecake by James to 75 people.
- Hours of operation are as follows, events must conclude by 10 PM with the facility being closed by 11 PM.
- At no such time shall any door to the outside of the unit be propped open.

Recommended Council Action: If the Mayor and City Council are amenable to the proposed special use, I would ask that you authorize the City Attorney and Staff to prepare the necessary Ordinance and supporting documents to approve the request subject to the Findings of Fact and the conditions as outlined in the PC recommendation.

Funding Source: N/A

Budgeted Amount: N/A

Attachments:

- Plan Commission Report (and minutes) associated plans and documents



To: Plan Commission/ZBA

From: Maura A. Rigoni, AICP, Interim Planner

cc: Jim Marino, City Administrator

Date: May 11, 2023

Re: Events and Venues by James

Project Details

Project	Events and Venue By James
Request	SU Banquet Facility
Location	21121 Division Street

Site Details

Lot Size:	N/A
Existing Zoning	B2

Land Use Summary

	Land Use	Comp Plan	Zoning
Subject Parcel	Business	Business	B2
North	Residential	Residential	R3/R1A
South	Industrial	Industrial	M1
East	Industrial	Industrial	M1
West	Industrial	Industrial	M1

Attachments

Aerials, Supporting Documents prepared by applicant.

Project Summary

James Sankey has filed an application for a special use for the property located at 21121 Division Street. The requested special use is for a banquet facility to operate an event venue. Mr. Sankey owns and operates Cheesecakes by James which is immediately adjoining the subject unit.

Analysis

In consideration of the request, the points of discussion and details are as follows.

- The property is currently zoned B-2. The unit in which the proposed venue is located is adjoining the retail unit in which Cheesecake by James is operated. These two uses will share the same retail space.
- The proposed space will be offered to patrons for rental to host various events, which include baby showers, birthday parties, corporate luncheons, and community events. Refer to the business plan for additional events that will be offered.
- There is no preparation of food on-site, with the exception of the cheesecakes/desserts. All food will be catered by local restaurants or local caterers.
- The venue will also offer additional services to the clients which include party decorations and accessories.

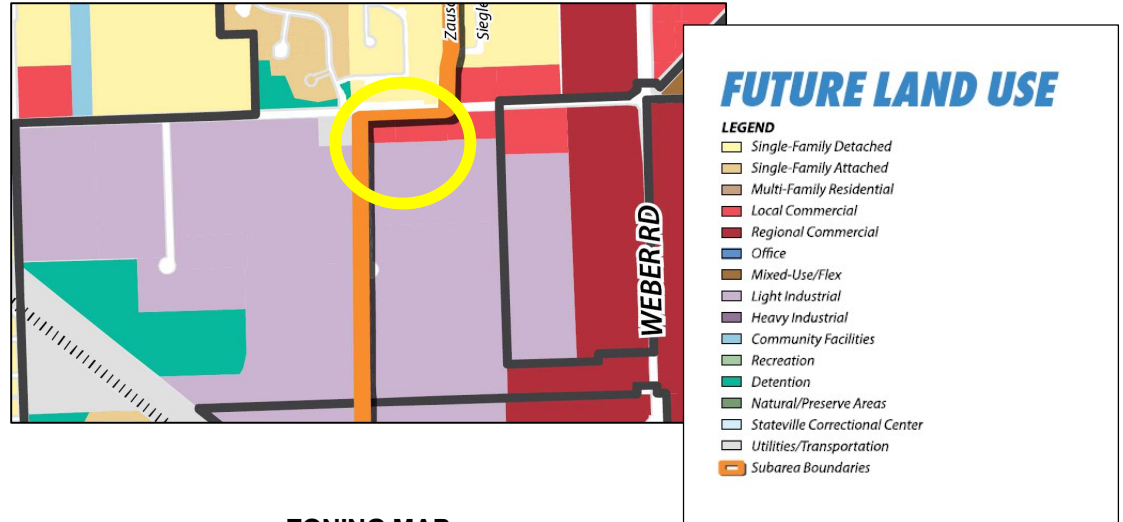
- The applicant is not seeking a liquor license. ***The Plan Commission is encouraged to place a condition prohibiting the consumption of alcohol on the premises, including inside and outside of the building.***
- The applicant proposes to have off-duty police security and venue surveillance. A member of the venue/event staff will be on the premises during all events. ***The Plan Commission is encouraged to place a condition requiring the review and approval of a security plan by the Crest Hill Police Department.***
- Due to the size of the building, based on the fire code, the maximum capacity of the venue space is 200 patrons. Such occupancy would result in additional improvements to the bathroom facilities to meet current building codes. Currently, the facility does not have the appropriate number of bathroom facilities to accommodate the maximum occupancy, and therefore the applicant has requested the Fire Department lower the occupancy to 100 people. The Fire Department will post a maximum occupancy at the facility. ***The Plan Commission is encouraged to place a condition limiting the occupancy of the facility to 100 people, which includes both Cheesecake by James and the event space.***
- The applicant has indicated events will conclude by 10 PM, with the facility remaining open until 11 PM for clean-up. ***The Plan Commission is encouraged to place a condition limiting hours of operation that the events must conclude by 10 PM with the facility being closed at 11 PM.***
- The Zoning Ordinance establishes parking at 1 space per 200 square feet, but not less than one space per two seats. With the set occupancy at 100 people, this would result in 100 chairs, requiring parking at 50 spaces. (Note: 1 space per 200 square feet is the same requirement as a general business).
 - There are a total of approximately 116 parking spaces serving this shopping center, with 74 spaces in front of the building, with the balance in the rear of the building.
 - The strip center has a variety of uses including a staffing facility, daycare, and dance studio.
 - Under the review of the proposed special use, the Zoning Ordinance allows for the opportunity to consider shared parking in developments of various uses. Consideration should be based on the type of business, along with hours of operation.
 - HP Staff, operates Monday through Friday 7:30 AM to 5:30 PM
 - The Dance Studio, based on the website, operates until approximately 9 PM during the week and 2 PM during the weekend.
 - A daycare facility operates Monday through Friday, 6 AM to 5:30 PM.
- Please note the attached business plan is not reflective of the current occupancy set by the Fire Department. A revised plan will be provided at the public hearing.
- The Plan Commission should consider and review the Standards of Special Use prior to making a recommendation. Those standards are attached to this report.

Items for discussion are as follows:

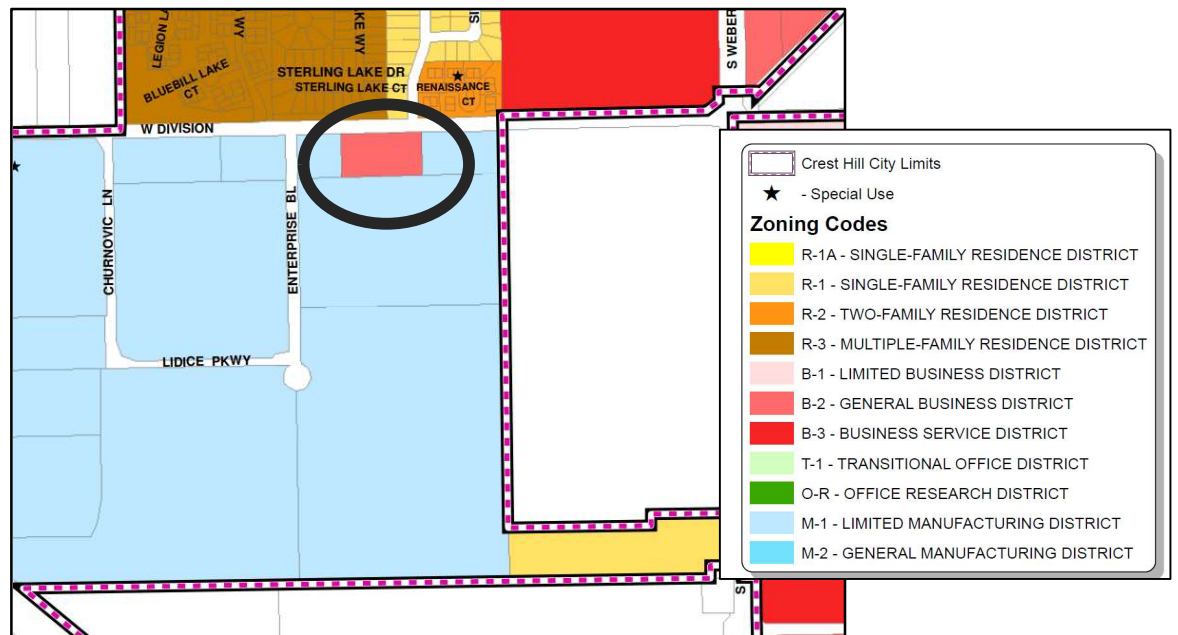
- The use as an event/venue
- Prohibition of liquor
- Security Plan
- Shared Parking
- Types of entertainment

Please contact me at 815-412-2721 or mrigoni@reltd.com with any questions or concerns.

FUTURE LAND USE MAP-COMP PLAN 2014



ZONING MAP



Events and Venues by James

Item 6.



4/6/2023, 8:02:10 AM

 City Limits  Parcels

 Street Labels

1:1,128
0 0.01 0.01 0.02 mi
0 0.01 0.02 0.04 km

Esri Community Maps Contributors, County of Will, © OpenStreetMap contributors, Microsoft, Esri, HERE, Garmin, SafeGraph, GeoTechnologies, Inc, Mapbox

City Of Cres

COMPANY PROFILE



10 years of making tasty memories and a lifetime of helping people create those memories!



EVENTS & VENUE BY JAMES

MISSION & BENCHMARKS



JUST LIKE OUR CHEESECAKES, we want to mix the highest quality ingredients that Crest Hill has to offer; The People, Local Businesses & it's representatives - together in one dish & destination.

OCCUPANCY:
126 (TABLES/CHAIRS) | 200 (CHAIRS)

NEW EVENT CONTRACT
& TERMS OF SERVICE

VENUE SURVEILLANCE

OUTSIDE CATERING

OFF DUTY POLICE SECURITY

"NO ALCOHOL" POLICY
POSTED

02 OF 07

PARTNERSHIPS

V E N D O R S & E V E N T O R G A N I Z E R



FOOD SERVICES

- LOCAL RESTAURANTS
- LOCAL CATERERS
- DESERTS PROVIDED BY CHEESECAKES BY JAMES

EVENT SERVICES

- BALLOON ARCH & SIGNS
- PHOTOBOOTHS
- SOUND & UPLIGHTING
- EVENT PLANNERS

COMMUNITY & CHARITY

- CHAMBER EVENTS
- CHARITY/FUNDRAISERS
- TEACHER NIGHTS
- INTERACTIVE CLASSES
- SMALL BUSINESS NETWORKING & TEAM BUILDING.

OUR SERVICES

E V E N T S & V E N U E



LIFE MILESTONES

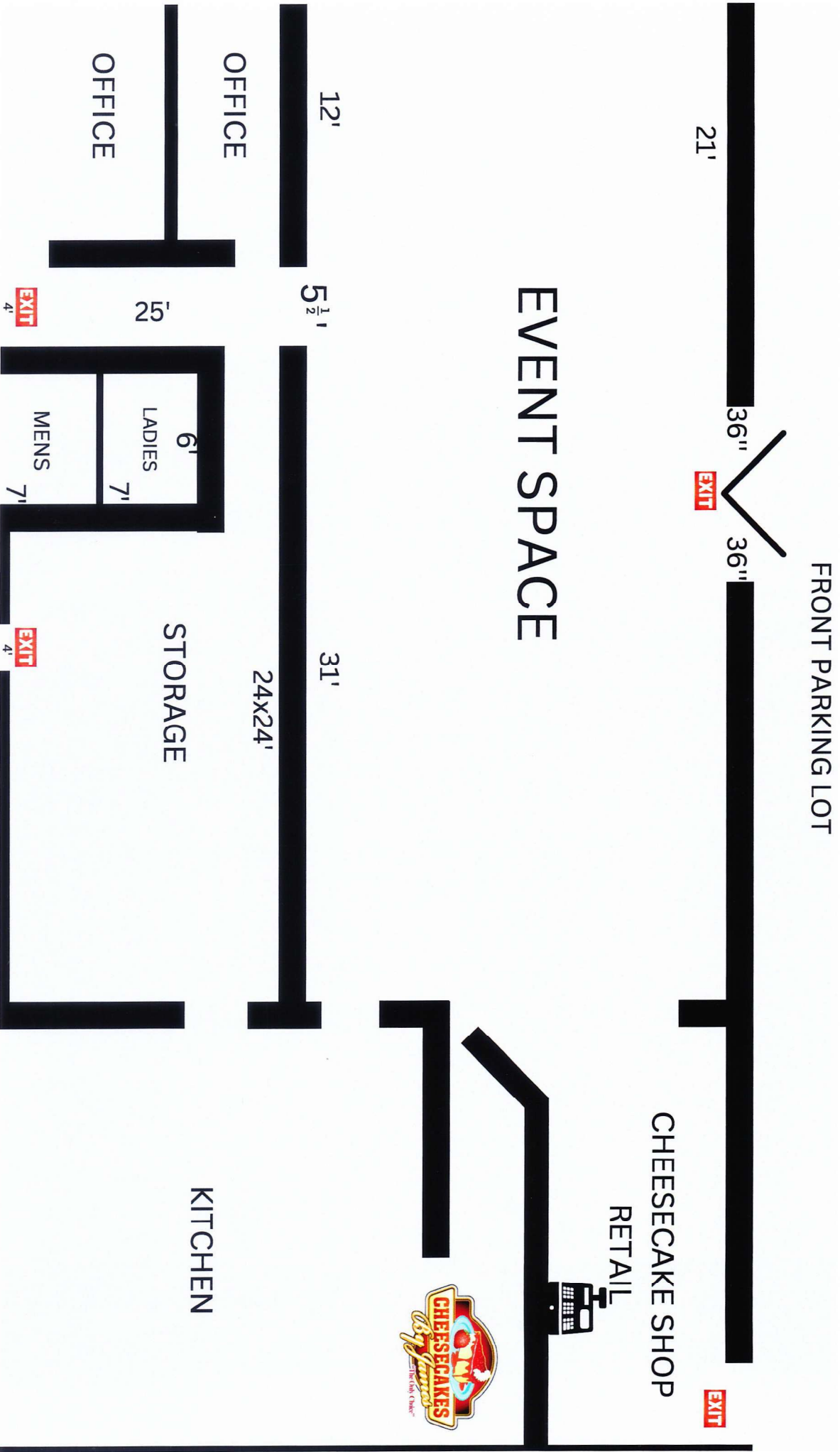
- SWEET 16'S
- QUINCEANERAS
- GENDER REVEALS
- BABY SHOWERS
- BAPTISMALS
- BIRTHDAYS

CORPORATE/PRIVATE

- CORPORATE LUNCHEONS
- TEAM BUILDING WORKSHOPS
- TRAININGS & CLASSES
- MISC

CBJ EVENTS

- COMMUNITY OUTREACH
- BOARD GAME NIGHTS
- TEACHER APPRECIATION
- PASTRIES WITH THE POLICE
- ART & RECITAL GALLERIES



TEAM

THE INGREDIENTS



James Sankey - Owner of



Jason Heidel - GSNL Interactive Events & Marketing

Special Thanks to the Community Who Have Supported us so far.

Mayor Raymond Solimon

Crest Hill Chief of Police Ed Clark

Crest Hill BDA Clerk Zoe Rodgers

Lockport Township Fire Protection

& Dave Bricker

Residents of

Heritage Lakes

Carillon Lakes Clubhouse

Grand Haven

& Townhouses of Renwick Club



T H A N K
Y O U !



or benefits with respect to their impact upon neighboring property, public facilities, or the City as a whole.

12.7-2 INITIATION OF SPECIAL USES

Any person owning or having an interest in the subject property may file an application to use such land for one or more of the special uses provided for in the Ordinance in the zoning district in which the land is situated.

12.7-3 APPLICATION FOR SPECIAL USES

An application for a special use shall be filed with the Zoning Officer upon a form prescribed by the City (refer to the City of Crest Hill Development Handbook). The application shall be accompanied by such plans and/or data required as required by Section 9 of this Ordinance and the City of Crest Hill Development Handbook.

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3. That the establishment of the special use will not impede the normal and orderly development and improvement of surrounding property for uses permitted in the district.
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5. That adequate measures have been or will be taken to provide ingress and egress so designed as to minimize traffic congestion in the public streets.
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A special use will automatically be revoked if there is a discontinuance of the use for a period of twelve (12) consecutive months.

In any case where a special use has been granted, and where no special use development has taken place within one (1) year of granting thereof, then without



Agenda Memo**Crest Hill, IL**

Meeting Date: 06/12/23
Submitter: Don Seeman
Department: Building Department
Agenda Item: Security and safety change orders

Summary:

Costs for installation of ten wi-fi locks, 13 window lite kits in office doors, Executive Conference room sound insulation, and Council Chamber podium.

Recommended Council Action:

Prepare for vote to approve change orders at Council meeting to facilitate installation of items as soon as possible.

Financial Impact:

Funding Source: General Fund balance

Budgeted Amount: \$0

Cost: \$16,305.00 for doors, \$1,640.00 for Executive Conference room sound insulation, \$1,626.00 for Council Chamber podium

Attachments:

Proposals for above items.

MICHAEL HUTCHINGS, LLC

Specializing in Commercial Cabinetry & Solid Surface

PROPOSAL 5-31-23

Estimate

HARBOR CONTRACTORS

Att: Shawn Thompson

Re: Crest Hill Center

Pedestal Cabinet with pull out tray lock

Stained

Manufacturing and delivery

\$ 1,626.00

Thank you, Michael Hutchings

Cosgrove Construction Inc

20654 Amherst Court • Joliet, IL • 60433 • (815) 774-0036 • Fax (815) 774-9860

Proposal

Date: June 5 2023
Submitted To: City of Crest Hill
Attn: Don
Job Name: Added Scopes

DESCRIPTION

Cosgrove Construction, Inc. proposes labor and materials for the following:

<u>DOORS:</u>	
• Install only 10 – WiFi locks	\$2,500
• Supply and install 2- store room office locks	\$2,375
• Supply, paint, cut in 13 -9"x30" lite kits in existing doors	\$6,400
• Repair door faces as called out	
<u>Insulation Chamber Conf. room</u>	
• Cover furniture with plastic	
• Remove ceiling tiles, add sound batts, reinstall tiles	\$1,640

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alteration or deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements are contingent upon strikes, accidents or delays beyond our control. Owner is to carry fire, tornado and other necessary insurance. Cosgrove Construction Inc. employees are fully covered by Workmen's compensation Insurance.

Authorized
Signature: _____
Tim Cosgrove, Cosgrove Construction Inc.

Note: This Proposal may be withdrawn
by us if not accepted within 45 days.

Acceptance of Proposal – The above prices, Specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date of Acceptance: _____ Signature: _____



LOW VOLTAGE
solutions, inc.®

Proposal# 61-19131 PR#01

Submitted By: Bob Rodriguez

Low Voltage Solutions will install and commission the following:

- | | |
|----|---|
| 10 | Install and commission wireless Assa Abloy locks (provided by customer) |
| 10 | Options Assa Abloy wireless lock licenses |
| 1 | Lot programming, commissioning and testing |

Total Investment	\$5,030.00
-------------------------	-------------------

- * Price includes proposed cabling, termination's and testing as required.
- * Price does not include conduit, sleeves, coring, boxes or raceway
- * Price does not include any electrical work or 120VAC Circuits
- * Price does not include any bonding costs.
- * Price is based on working normal business hour M-F
- * All base building POE network switches, network installation and configuration by customer.
- * All parts and material and labor provided in this proposal will be covered by a one year warranty. The warranty date will begin upon substantial completion.
- * Any additional work not included in this proposal will be proposed at a later date, Work to commence after approval.

Labor & Material is guaranteed to be as specified, and the above work to be performed and completed in a professional workman like manner. If required, permits and fees will be at additional costs. Low Voltage Solutions, Inc. (LVS) assumes that all work can be done on regular time 7:00 am to 3:30 pm, unless otherwise stated. All agreements are contingent upon strikes, accidents, or delays beyond our control. Owner will carry fire, tornado, and other necessary insurance. LVS carries general liability and Workmen's Compensation Insurance

FINANCING AVAILABLE: LVS can provide a variety of financing structures for payment of invoices. Upon written agreement between LVS and Customer, monthly or quarterly payments, deferred payments or step payments can be available through agreed financing terms. Hardware, software and other LVS services are available to bundle with agreed written financing terms.

PAYMENT TERMS: Payment must be made 30-days upon receipt of invoice for all direct end-user accounts or 1.5% Finance Charge will be applied daily until payment is received





Agenda Memo

Crest Hill, IL

Meeting Date: June 12, 2023
Submitter: Ronald J Wiedeman
Department: Engineering
Agenda Item: IGA Weber and Ryan Traffic Signal

Summary: The existing IGA between the City and the County is to expire this August 21, 2023 for the existing signals at Weber and Ryan Drive.

Attached is a new agreement that has all of the same terms and conditions as the previous IGA. Agreement highlights are as follows:

- Weber Road under the jurisdiction of Will County
- Ryan Drive under the jurisdiction of Crest Hill
- Routine maintenance shall be the responsibility of Will County.
- A portion of said routine maintenance costs will be paid by the City of Crest Hill. The City will be invoiced at a rate of \$150.00 per month billed on a semiannual basis.
- Future maintenance costs shall be invoiced at the same unit price as paid by the County pursuant to the then effective traffic signal maintenance contract(s). Should the unit price as paid by the COUNTY for COUNTY traffic signal maintenance contracts increase, the COUNTY shall provide (30) days written notice of the increase to the CREST HILL.
- The County will be responsible for repairs due to motor vehicles, weather or any other “Act of God” and shall invoice the CREST HILL for all said costs of repair, less any reimbursement received by the COUNTY from insurance or otherwise, which the COUNTY agrees to use reasonable efforts to pursue.
- CREST HILL shall be responsible for the energy costs required by the IMPROVEMENTS, for which the COUNTY shall invoice CREST HILL on a semiannual basis. Energy costs invoiced to CREST HILL shall be the same unit price as paid by the COUNTY under the COUNTY energy cost contract in effect at that time. Should the unit price as paid by the

COUNTY under the COUNTY energy cost contracts increase, the COUNTY shall provide thirty (30) days' written notice of the increase to CREST HILL.

Recommended Council Action: Approve a resolution to approve an intergovernmental agreement for the maintenance and energy of traffic signals at the intersection of Weber road (CH88) and Ryan Drive in the County of Will.

Financial Impact:

Funding Source: General Fund (01-03-5351)

Budgeted Amount \$150,000.00

Cost: \$1800 plus Energy Costs

Attachments:

Resolution App. IGA with County for Weber-Ryan (5-26-2023)

2003-IGA Weber Road and Ryan IGA Traffic Signals Will County Dated 5-26-2023

RESOLUTION NO. _____

**A RESOLUTION APPROVING AN INTERGOVERNMENTAL AGREEMENT FOR
THE MAINTENANCE AND ENERGY OF TRAFFIC SIGNALS AT THE
INTERSECTION OF WEBER ROAD (CH 88) AND RYAN DRIVE IN THE CITY OF
CREST HILL, COUNTY OF WILL**

WHEREAS, the Corporate Authorities of the City of Crest Hill, Will County, Illinois, have the authority to adopt resolutions and to promulgate rules and regulations that pertain to the City's government and affairs and protect the public health, safety, and welfare of its citizens; and

WHEREAS, the Illinois Intergovernmental Cooperation Act authorizes municipalities to exercise jointly with any public agency of the State, including other units of local government, any power, privilege, or authority which may be exercised by a unit of local government individually, and to enter into contracts for the performance of governmental services, activities, and undertakings; and

WHEREAS, Article VII, Section 10, of the Constitution of the State of Illinois of 1970 provides that units of local government may contract or otherwise associate among themselves to obtain or share services and to exercise, combine or transfer any power or function in any manner not prohibited by law or by ordinance; and

WHEREAS, the County of Will is a body corporate and politic (hereinafter referred to as the "COUNTY"); and

WHEREAS, the City of Crest Hill ("CREST HILL"), to facilitate the free flow of traffic and provide safety to the motoring public, previously determined that it is in the best interests of the citizens and residents of Crest Hill to enter into an Intergovernmental Agreement with County of Will ("WILL COUNTY") for the construction and maintenance of an improved, signalized intersection at County Highway 88 (Weber Road) and Ryan Drive ("IMPROVEMENT"); and

WHEREAS, CREST HILL and WILL COUNTY on or about August 21, 2003 previously approved and executed an Intergovernmental Agreement regarding the construction and maintenance of the IMPROVEMENT; and

WHEREAS, the previously approved and executed Intergovernmental Agreement is set to expire on August 21, 2023, necessitating action to establish a new intergovernmental agreement between CREST HILL and WILL COUNTY governing maintenance and energy costs for the IMPROVEMENT; and

WHEREAS, Weber Road (County Highway 88) at the location of the IMPROVEMENT is currently and shall remain under the jurisdiction of WILL COUNTY; and

WHEREAS, Ryan Drive at the location of the improvement is currently and shall remain under the jurisdiction of CREST HILL; and

WHEREAS, WILL COUNTY AND CREST HILL have elected to cooperate with each other and set forth the rights and responsibilities of each party regarding the continued maintenance and energy cost of the IMPROVEMENT following the expiration of the current Intergovernmental Agreement pursuant to their statutory and Constitutional powers and authority described herein.

WHEREAS, the City Council has reviewed the Intergovernmental Agreement and has determined that the conditions, terms, and provisions of the Intergovernmental Agreement are fair, reasonable, and acceptable to the City; and

WHEREAS, the City Council has determined that it is in the best interests of the City and its citizens to enter into the Intergovernmental Agreement with WILL COUNTY.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Crest Hill, Illinois, pursuant to its statutory and Constitutional authority, as follows:

SECTION 1: PREAMBLE. The City Council hereby finds that all the recitals contained in the preamble to this Resolution are true, correct and complete and are hereby incorporated by reference hereto and made a part hereof.

SECTION 2: INTERGOVERNMENTAL AGREEMENT APPROVED. The City Council hereby finds and declares that the conditions, terms, and provisions of the Intergovernmental Agreement (Exhibit A) are fair, reasonable, and acceptable to the City and that the same is hereby approved in form and substance. Therefore, the City Council hereby authorizes and directs the Mayor to execute and deliver, and the Clerk to attest, the Intergovernmental Agreement, and further to take any and all other actions, including without limitation the execution and delivery of any and all documents, necessary and appropriate to effectuate the intent of this Resolution, which is to enter into the Intergovernmental Agreement with WILL COUNTY.

SECTION 3: SEVERABILITY. If any section, paragraph, clause, or provision of this Resolution is held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any other provision of this Resolution.

SECTION 4: REPEALER. All ordinances, resolutions or orders, or parts thereof, which conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed.

SECTION 5: EFFECTIVE DATE. This Resolution shall be in full force and effect immediately upon its passage and publication according to law.

[Left Intentionally Blank]

PASSED THIS 19TH DAY OF JUNE, 2023.

	Aye	Nay	Absent	Abstain
Alderman John Vershay	_____	_____	_____	_____
Alderman Scott Dyke	_____	_____	_____	_____
Alderwoman Claudia Gazal	_____	_____	_____	_____
Alderman Darrell Jefferson	_____	_____	_____	_____
Alderperson Tina Oberlin	_____	_____	_____	_____
Alderman Mark Cipiti	_____	_____	_____	_____
Alderman Nate Albert	_____	_____	_____	_____
Alderman Joe Kubal	_____	_____	_____	_____
Mayor Raymond R. Soliman	_____	_____	_____	_____

Christine Vershay-Hall, City Clerk

APPROVED THIS 19TH DAY OF JUNE, 2023.

Raymond R. Soliman, Mayor

ATTEST:

Christine Vershay-Hall, City Clerk

EXHIBIT A

**INTERGOVERNMENTAL AGREEMENT FOR THE MAINTENANCE AND
ENERGY OF TRAFFIC SIGNALS AT THE INTERSECTION OF WEBER ROAD
(CH 88) AND RYAN DRIVE IN THE COUNTY OF WILL**

WHEREAS, the County of Will is a body corporate and politic (hereinafter referred to as the “COUNTY”); and

WHEREAS, the City of Crest Hill is a Municipal Corporation and situated in Will County, (hereinafter referred to as “CREST HILL”) under and by virtue of the Constitution and laws of the State of Illinois, and has acted in the exercise of its legal authority with regard to this Agreement; and

WHEREAS, Article VII, Section 10, of the Constitution of the State of Illinois of 1970 provides that units of local government may contract or otherwise associate among themselves to obtain or share services and to exercise, combine or transfer any power or function in any manner not prohibited by law or by ordinance; and

WHEREAS, The Illinois Intergovernmental Cooperation Act, (Illinois Compiled Statutes, Chapter 5, Section 220/1 et seq.), authorizes municipalities to exercise jointly with any public agency of the State, including other units of local government, any power, privilege, or authority which may be exercised by a unit of local government individually, and to enter into contracts for the performance of governmental services, activities, and undertakings; and

WHEREAS, the COUNTY, and CREST HILL, in order to facilitate the free flow of traffic and ensure safety to the motoring public, previously agreed to the construction and maintenance of the improved, signalized intersection at County Highway 88 (Weber Road) and Ryan Drive, which was memorialized by an Intergovernmental Agreement dated August 21, 2003 governing the intersection improvements consisting of the traffic signal and other appurtenances (hereinafter referred to as “IMPROVEMENT”); and

WHEREAS, the previous intergovernmental agreement governing the maintenance of the IMPROVEMENT is set to expire on August 21, 2023, necessitating action to establish a new intergovernmental agreement between CREST HILL and the COUNTY governing said maintenance of the IMPROVEMENT; and

WHEREAS, County Highway 88 (Weber Road) is under the jurisdiction of the COUNTY; and

WHEREAS, Ryan Drive at this intersection is under the jurisdiction of CREST HILL;

NOW THEREFORE, in consideration of the mutual promises, obligations and undertakings set forth herein, the COUNTY, and CREST HILL (hereinafter collectively referred to as “PARTIES”) AGREE AS FOLLOWS:

1. All PARTIES agree and recognize that the IMPROVEMENT was previously constructed in a manner approved by all PARTIES. All PARTIES also agree and recognize the need for a new agreement and that such a need arose from the previous agreement pertaining to this IMPROVEMENT expiring on August 21, 2023.
2. All PARTIES agree that the COUNTY shall be responsible for the performance of routine maintenance of the IMPROVEMENTS in accordance with COUNTY'S standard maintenance contract and shall invoice CREST HILL for said routine maintenance costs on a semiannual basis. Routine maintenance shall initially be invoiced to the CREST HILL at a total rate of \$150.00 per month. Future maintenance costs shall be invoiced at the same unit price as paid by the COUNTY pursuant to the then effective traffic signal maintenance contract(s). Should the unit price as paid by the COUNTY for COUNTY traffic signal maintenance contracts increase, the COUNTY shall provide (30) days written notice of the maintenance contract price increase to CREST HILL.
3. All PARTIES agree that the COUNTY shall repair or cause to be repaired damage to the IMPROVEMENTS caused by motor vehicles, weather, or any other "Act of God" and shall invoice CREST HILL for all said costs of repair, less any reimbursement received by the COUNTY from insurance or otherwise, which the COUNTY agrees to use reasonable efforts to pursue.
4. CREST HILL shall be responsible for the energy costs required by the IMPROVEMENTS, for which the COUNTY shall invoice CREST HILL on a semiannual basis. Energy costs invoiced to CREST HILL shall be the same unit price as paid by the COUNTY under the COUNTY energy cost contract in effect at that time. Should the unit price as paid by the COUNTY under the COUNTY energy cost contracts increase, the COUNTY shall provide thirty (30) days' written notice of the energy cost contract price increase to CREST HILL.
5. CREST HILL shall, at its sole expense, be responsible for all future maintenance of the emergency vehicle preemption system installed or to be installed with the IMPROVEMENTS.
6. The COUNTY shall retain jurisdiction of Weber Road.
7. CREST HILL shall retain jurisdiction of Ryan Drive.
8. If the State of Illinois adopts any amendment, addition, deletion, or other change to the "MANUAL ON UNIFORM TRAFFIC CONTROL DEVICES", "ILLINOIS SUPPLEMENT TO THE NATIONAL MANUAL ON UNIFORM TRAFFIC CONTROL DEVICES", or IDOT design standards, district-specific or otherwise, pertaining to traffic signals, CREST HILL, at its sole expense, shall make the necessary alterations to the IMPROVEMENT to bring it into conformance with current standards.

9. The COUNTY shall have no obligations or responsibilities relating to the IMPROVEMENT other than as explicitly provided in this Agreement.
10. This document shall be the final embodiment of the Agreement by and between the COUNTY and CREST HILL. No oral changes or modifications to this Agreement shall be permitted or allowed. Changes or modification to this Agreement shall be made only in writing and upon the necessary and proper signature of duly authorized representative(s) of the COUNTY and CREST HILL.
11. In the event that a court of competent jurisdiction shall hold any provisions of this Agreement invalid or unenforceable, such holdings shall not invalidate or render unenforceable any other provision hereto.
12. This Agreement shall be binding upon and inure to the benefits of the parties hereto, their successors and assigns.
13. Venue for any legal action arising out of this Agreement shall be in the courts of the Twelfth Judicial Circuit, Will County, Illinois.
14. Any notices under this Agreement shall be sent as follows:

If to the County:

Will County Engineer
 Will County Division of Transportation
 16841 West Laraway Road
 CREST HILL, IL 60433

Will County State's Attorney
 Attention: Civil Division
 57 N. Ottawa Street, 5th Floor
 CREST HILL, Illinois 60432

If to the City of CREST HILL:

City of CREST HILL
 Attention: Mark Siefert
 Director of Public Works
 2090 Oakland Avenue
 CREST HILL, IL 60403

City of CREST HILL
 City Attorney

The PARTIES agree that each shall be responsible to notify the other of any changes in notification procedures.

15. This AGREEMENT may be executed in one or more counterparts, each of which will be deemed an original, but all of which will constitute one instrument.

Dated at CREST HILL, Illinois this ____ day of _____, 2023.

WILL COUNTY

ATTEST

Will County Executive

Will County Clerk
(Seal)

Dated at CREST HILL, Illinois, this ____ day of _____, 2023.

CITY OF CREST HILL

ATTEST

Mayor

City Clerk



Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Ronald J Wiedeman
Department:	Engineering
Agenda Item:	Chaney and Center Water Main and Roadway Rehabilitation Project-Change Order No. 1.

Summary: The underground work for the Chaney and Center project is now completed and the Contractor will now begin the roadway rehabilitation part of the project.

During the underground work there were unforeseen conflicts and water main rerouting that needed to be completed at the time of construction. These items caused additional effort and increased time to complete. The items are as follows:

- 7 additional water services with domestic services boxes were added to service undeveloped lots. Staff directed this work to be added to put the new service in place so in the future when these lots are developed the newly constructed roadway, sidewalk and curb and gutter will not need to be removed. The cost for this work is \$28,250.00.
- Additional Water Main replacement of 37.5 ft was added along Theodore to replace main that had been previously repaired by public works. This work was not known until the water main along Theodore was uncovered. Staff directed the contractor to replace the water main so the new water main would not be directly connected to old/repared water main. The cost for this work is \$5,625.00.
- 21 ft of additional sanitary service adjustment was necessary at the time of installation of the new water main, This work was not known until the services were exposed. The cost of the work is \$18,225.00.
- During construction of the water main a buried storm sewer manhole was discovered. Due to IEPA clearance requirements an additional 21 ft of storm sewer with rubber gaskets was needed to meet IEPA requirements. The cost for this work was \$1,879.50.
- During Construction the contractor encountered existing utilities locations as well as challenges to fit the new water within the work area and still provide IEPA clearances. These modifications increased the amount of work required to connect the existing water main as well as the time it took to make these connections. The additional time required to make these connections was not included in the project pay item for this work due to

the work being unknown at the time of plan preparation process. These connections were made on a time and materials basis which was agreed on by staff and the contractor. The total number of connections made this way was 11. Paying for the connection work as time and materials instead of according to the project pay items plus additional costs and expenses would be a saving to the city. The cost for this work is \$134,250.95.

- Staff would like to add the resurfacing of Elsie Ave from Center St. to Hoffman St. in front of Chaney-Monge School due to its current condition and new revised construction schedule.

This work was not originally included because no existing water main was in this section of roadway and based on the original schedule the work would not be completed until the fall. With school in session this work would be very disrupted for the school and staff determined the work could be completed at a later date. The cost for this work is estimated at \$37,868.30.

- Due to the final quantities of water main work is now known and completed there is a deduction in the contract of \$69,591.65.

Recommended Council Action: To approve Change Order No 1 for the Chaney and Center Water Main and Roadway Rehabilitation Project which will increase the contract amount to \$3,535,133.30.

Financial Impact:

Funding Source: American Rescue(AR) and Water

Budgeted Amount: \$2,678,183 AR & 934,372 Water

Total \$3,612,554.79

Cost Approved to Date:

Award Construction Amount \$3,183,273.20

Construction Engineering \$195,353.00

Plus Change Order No.1 \$156,507.10

New Cost Approved to Date \$3,535,133.30

Attachments:

Change Order Document 20230530.pdf



May 26, 2023

Ron Wiedeman, P.E.
City Engineer
City of Crest Hill
2090 Oakland Avenue
Crest Hill, Illinois 60403
815.741.5122

RE: **Chaney Avenue and Center Street Water Main Improvements | Change Order Document**

Ron,

The Chaney Avenue and Center Street Water Main Improvements are nearing completion. The underground work for the project is complete. The contractor will be starting the roadway components in the coming days. During the installation of both the water main and storm sewer there were a variety of unforeseen conflicts and re-routing that caused items to take longer to install than originally expected. In addition, while the water main was being installed additional services were installed to accommodate vacant lots which will minimize the need for the development of these lots to connect into the new main and disturb not only the water main but the road, curb and gutter, sidewalk and parkway. In addition to the underground modifications, this change order includes the additional paving and striping in front of Chaney-Monge school. The following is a list of items that have changed to total contract quantities:

1. 4 additional WATER SERVICE LINE, 1" (SHORT) were added to the contract for future developable lots.
2. 3 additional WATER SERVICE LINE, 1" (LONG) were added to the contract for future developable lots.
3. 7 additional DOMESTIC WATER SERVICE BOX were added to the contract for future developable lots.
4. Due to previous water main breaks an additional 37.5 feet of water main was installed along Theodore Street. The new main replaced the damaged/partially repaired pipe.
5. The contractor encountered existing utilities as well as challenges to fit the new water main within the work area and still provide proper IEPA clearances. These modifications increased the number of connections to the existing main as well as took longer than expected. The additional total connections necessary is 11 and the contractor agreed to charge Time and Materials for these connections. By doing so the connection pay item will be deleted and a new Time and Materials Item will be established. In addition, 61.5 feet of DUCTILE IRON WATERMAIN, 6" was required to make the final side road connections.
6. 21 additional feet of SANITARY SERVICE ADJUSTMENT was necessary in order to install the new watermain.
7. A buried storm sewer manhole was discovered during the installation of the water main. Due to IEAP clearance requirements, 21 feet of additional STORM SEWERS, RUBBER GASKET, CL. A TY. 2, 15" was installed to reconnect the drainage system to the buried manhole.
8. 1 additional WATER VALVES, 6" was added in order to re-establish an existing fire suppression system to an existing building.

9. 2 additional Valve Vaults were filled as the existing water main was abandoned and the new main put into service..
10. Additional resurfacing of Elsie Ave from Center St to Hoffman St in front of the Chaney-Monge school will be added to the overall pavement resurfacing and striping to provide a better transition from existing pavement to resurfaced pavement. \$37,868.30

Final quantities for a number of the underground work have been agreed upon by the contractor. The following 12 items and associated quantity will be deducted from the contract.

Item	Item not used
TREE ROOT PRUNING	2
DUCTILE IRON WATERMAIN, 8"	56.4
CATCH BASINS, TYPE A, 4'-DIAMETER, TY. 1 FRAME, OL	2
MANHOLES, TYPE A, 4'-DIAMETER, TY. 1 FRAME, OL	1
STORM SEWERS, RUBBER GASKET, CL. A TY. 2, 12"	162.7
STORM SEWERS, RUBBER GASKET, CL. A TY. 2, 18"	8
EXPLORATION TRENCH, SPECIAL	710
VALVE VAULT TO BE REMOVED	2
TEMPORARY INFORMATION SIGNING	85
SUMP LINE	46
STORM SEWER, WATERMAIN QUALITY, CL. B, TY. 2, 18"	6
WATERMAIN LINE STOP - 10"	change in equipment due field condition

The following is a summary of the proposed contract change:

Swallow Construction Contract Amount	\$3,183,273.20
Accumulated Changes to Contract for Underground Work (11 items)	\$226,098.75
Quantities not used or have used less than plan quantity (12 items)	\$69,591.65
Change Order requested amount	\$156,507.10
Total change to contract amount	\$3,339,780.30

If you have any questions or would like to discuss this further, please do not hesitate to contact me at 630-254-1522

Sincerely,
V3 Companies, Ltd.



Jason Holy, P.E.
Senior Project Manager



Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Ronald J Wiedeman
Department:	Engineering
Agenda Item:	Hillcrest Shopping Center Water Main Relocation-Change Order No. 1.

Summary: The work to relocate the city's water main within the Hillcrest Shopping Center has begun. During pre-construction layout of all existing underground utilities, it was determined that an existing underground ComEd service is located in a different location than what was provided during the design process. Due to this the new water main will need to be moved farther south to avoid the ComEd underground along with maintaining all IEPA required clearances.

Per the agreement with the Hillcrest Shopping Center the city is to pay \$299,250.00 and Hillcrest is to pay \$128,248.50 of the construction and construction engineering cost. During negotiations of the agreement between staff and Hillcrest Shopping Center an upper limit of \$130,000.00 was set for the maximum contribution for the Hillcrest Shopping Center. This amount was based on the original design provided by Hillcrest's design consultant to just relocate the existing line around the new building.

Based on the change in location of the water main due to the conflict with the underground ComEd service Hillcrest has agreed to pay for all landscape restoration of the berm which is budgeted at \$10,000. By them agreeing to pay this amount it would put the over their maximum contribution amount. Therefore, the remaining amount of \$66,284.90 would be the responsibility of the city.

Recommended Council Action: To approve Change Order No 1 for the water main relocation work at the Hillcrest Shopping Center due to the construction of new recruiting building which will increase the city share from this work for construction to \$365,534.90.

Financial Impact:

Funding Source: Water

Budgeted Amount: \$300,000.00

Cost Approved to Date:

Award Construction Amount (city share) \$272,045.00
Construction Engineering (city share) \$27,205.00
Plus Change Order No.1 \$66,284.90
New Cost Approved to Date (city share) \$365,534.90

Attachments:

Revised Proposal to Relocate Watermain to Berm.pdf

Construction Solutions

of Illinois, Inc.

Office: 708-239-0001

Fax: 708-239-0006

June 1, 2023

Mr. Abe Kats
Kats Brothers Development, LLC
3175 Commercial Ave, Suite 100
Northbrook, IL 60062

Re: REVISED - Watermain Extension
Hillcrest Shopping Center
1701 N. Larkin Ave.
Crest Hill, IL 60403

Mr. Kats:

Construction Solutions discovered a Com Ed primary electrical service immediately south of the existing building located at the southeast corner of the Hillcrest Shopping Center property. Due to the location of the electrical line, storm sewer, sanitary sewer, water main, and gas pipe, Construction Solutions proposes to relocate the scheduled water main installation approximately five feet south of the proposed location. The proposed location will require the existing curb to be removed and replaced, the landscape berm to be removed and replaced utilizing a cut and shelf process. Spoils will be stockpiled on site and reinstalled upon completion of the water main.

Construction Solutions proposes to provide all materials, labor, equipment, and insurance to relocate the proposed water main for the lump sum amount of: **SIXTY-SIX THOUSAND TWO HUNDRED EIGHTY-FOUR DOLLARS AND 90/100 (\$66,284.90) *****please see attached cost breakdown*******

Qualifications:

Soil Testing, Unsuitable Soils, Rock Excavation and Buried/Unforeseen Debris are excluded from this proposal.

Please call me with any questions or concerns.

Thanks,



Peter M. Schipma
Construction Solutions

5920 LYNWOOD DRIVE • OAK LAWN, ILLINOIS 60453

[illegible]

May 31, 2023

Construction Solutions of Illinois
 5920 Lynwood Dr.
 Oak Lawn, IL 60453

RE: Water Main Extension -
 Hillcrest Shopping Center
 1701 N. Larkin Ave.
 Cresthill, IL

Change Order Request for Removing and Replacing Berm Along Theodore Street

We are proposing to move new 8" water main south into landscape area behind the curb behind the bakery building. The location drawn on current plans is in conflict with the ComEd servicing the bakery building. We will need to remove approximately 300' of the existing berm to be able to install the new 8" water main in an OSHA safe condition. We will be removing approximately 1,200 cubic yards of material (100 semi loads), stockpiling it onsite in the parking lot. After the water main is installed, replace the 1,200 cubic yards of dirt back into the berm and regrade. No topsoil or landscaping restoration is included in this proposal. We will be removing approximately 300' of existing curb at this location.

Remove & Stockpile 1,200 cubic yards of spoils and remove curb.

Labor (Sewer Crew)	18.00	hr.	@	\$980.84	per hour	\$17,655.12
2 - Semi Dump trucks	18.00	hr.	@	\$250.00	per hour	\$4,500.00
Curb Haul Off	3.00	lds	@	\$225.00	per load	\$675.00

Replace and grade 1,200 cubic yards of spoils

Labor (Sewer Crew)	18.00	hr.	@	\$980.84	per hour	\$17,655.12
2 - Semi Dump trucks	18.00	hr.	@	\$250.00	per hour	\$4,500.00
John Deere 700J Dozer	20.00	hr.	@	\$297.92	per hour	\$5,958.40
Sub Total:						\$50,943.64
10% O, H & P						\$5,094.36
Grand Total:						\$56,038.00

Sewer Crew Hourly Rate

John Deere 270C Excavator	\$361.02	Per Hour
938G Wheel Loader	\$297.82	Per Hour
Laborer with Service Truck	\$178.25	Per Hour
Laborer	<u>\$143.75</u>	Per Hour
Sewer Crew Labor Hourly Rate Total:	\$980.84	Per Hour



City Council Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Lisa Banovetz, Director of Finance / Glen Conklin, Treasurer
Department:	Treasurer's Office
Agenda Item:	Consideration for approval for two insurance appraisal proposals from Kroll.

Summary: The City is a member of the South West Agency for Risk Management (SWARM) which manages property and casualty insurance for the municipalities who are members of this group.

During Fiscal Year 2023, SWARM discussed having each municipality obtain a recent insurance appraisal for their respective property and equipment which would be used for insurance purposes. During a quarterly meeting of the SWARM board, the board members voted unanimously to retain Kroll to perform the property insurance appraisals for all SWARM members.

Kroll offered an option to all members for an additional proposal for a comprehensive inventory of all each municipality's fixed assets which would be used to track items purchased that had a value that exceeded \$1,000. The City has established a capitalization threshold of \$10,000 for infrastructure improvements, \$5,000 for land improvements, buildings, and water and sewer systems, and \$1,000 for equipment.

The City is asking City Council to consider two proposals that were provided to the City by Kroll. A summary of those proposals is included below.

The first Kroll proposal is to provide a property insurance appraisal for the City's use in connection with its internal analysis of its insurance needs and financial reporting as of June 30, 2023 for \$15,925. The scope of this proposal includes:

- Property insurance valuation of the replacement cost of the insured assets
- Building inspection and appraisal services
- Independent determination of construction, occupancy, protection, and exposure
- Appraisal of building contents
- Inventory and appraisal of major machinery and equipment

The City budgeted \$20,000 for this service for Fiscal Year 2023~2024 and the proposal is estimated to be \$15,925 for this service.

The second Kroll proposal is to provide updated fixed asset accounting records for internal accounting control and financial reporting as of June 30, 2023 for \$28,000. The scope of this proposal includes:

- Inventory, reconciling and reporting the historical cost of the City's identified fixed assets

The City believes that this process will strengthen its internal accounting controls over the fixed assets that are purchased with City funds and will help track purchases of items and where those items are being stored within the City.

The City spoke with its external auditor, WRDR, who expressed the additional comprehensive fixed asset inventory would be a wise investment for the City as it would track all capitalized items and would add accountability to track items that were purchased with City funds.

The City did not budget for this additional proposal as the costs associated with this service were unknown at the time the budget was completed. The first SWARM insurance proposal is \$4,075 less than what was budgeted for this service. If the City were to complete both proposals, the City would use the excess from the first proposal and the remaining \$23,925 would be expended from the City's General Fund from its \$100,000 contracted services contingency budget for Fiscal Year 2023~2024.

Recommended Council Action: Consideration for approval for the two Kroll proposals at the June 19th, 2023 regular City Council meeting as listed below:

- Kroll property insurance appraisal for the City's use in connection with its internal analysis of its insurance needs and financial reporting as of June 30, 2023 for \$15,925
- Kroll proposal to provide updated fixed asset accounting records for internal accounting control and financial reporting as of June 30, 2023 for \$28,000

Financial Impact:

Funding Source: General Fund.

Budgeted Amount: \$20,000 for the first Kroll proposal of \$15,925

\$0 for the second Kroll proposal of \$28,000

Cost: \$15,925 for the first Kroll Proposal

\$28,000 for the second Kroll proposal which would be funded from the City's contingency for contracted services

Attachments

- Kroll property insurance appraisal for the City's use in connection with its internal analysis of its insurance needs and financial reporting as of 6-30-2023 for \$15,925.pdf

- Kroll proposal to provide updated fixed asset accounting records for internal accounting control and financial reporting as of 6-30-23 for \$28,000.pdf



May 30, 2023

Ms. Lisa Banovetz, CPA, MBA
Director of Finance
City of Crest Hill
20600 City Center Blvd
Crest Hill, IL 60403

Dear Ms. Banovetz:

Kroll, LLC ("Kroll"), will provide the City of Crest Hill ("the City") the consulting services described within this agreement ("Agreement").

Purpose of the Engagement

The purpose of this engagement is to provide the City updated fixed asset accounting records for internal accounting control and financial reporting as of June 30, 2023.

Engagement Scope

We will inventory, reconcile, and report the historical cost of the City's identified fixed assets.

Description of Identified Fixed Assets

The identified fixed assets are located at various sites as identified by the City in the Property Schedule (Exhibit B).

These asset classifications will be included in the engagement:

- 1) Machinery and equipment

Assets not identified above will be excluded from the engagement.

If requested, fixed assets not inventoried by us may be segregated and incorporated into our report based on information supplied by the City.

We will work with the City during the engagement to further refine the scope of identified fixed assets to be included in the engagement, if applicable. Depending on the nature and extent of changes in the scope of the engagement we may need to revise our fee.

Definition of Historical Cost

Historical cost is defined by Generally Accepted Accounting Principles as the amount of cash, or its equivalent, paid to acquire an asset.

Scope of Work

We anticipate this engagement will include the following:

Machinery and Equipment

We will inspect the City's locations identified in the Property Schedule to inventory machinery and equipment with a unit cost over \$ 1,000, and apply a barcode tag.

Terms and Conditions

This Agreement is subject to and incorporates the **Terms and Conditions** attached as **Exhibit A**.

Fee

The fee is \$28,000, including expenses, and will be invoiced as follows:

- 30% of fee upon authorization of the engagement
- Progress billing as time is charged and expenses are incurred

This fee includes issuing the deliverables below and responding to customary questions from the City and its auditor or advisors. Additional fee will be required for an increase in engagement scope or involvement in subsequent reviews beyond the customary work effort.

The City may cancel this engagement at any time and will only be obligated for fees and expenses incurred. Our fee is not contingent on our deliverable or any subsequent event related to it.

Timing and Deliverables

This engagement will require cooperation, access, and timely receipt of requested information from management of the City. After this Agreement is signed and all requested information is received, we will begin our analyses and provide our Final report within 4-6 weeks after site inspection completion.

The report will be provided in electronic format and will present our conclusions and related narrative discussion of the supporting analyses and assumptions, along with appropriate exhibits. Additional relevant information and analyses considered will be retained in our work files.

Conclusion

We appreciate the opportunity to serve the City. To authorize, please sign below and return the full executed copy to michael.domin@kroll.com. This Agreement shall remain valid for signature for 30 days. Please contact me at 630 841 7948 with any questions.

Sincerely,



Michael Domin
Managing Director
Kroll, LLC

Client of Record:

City of Crest Hill

Signature: _____

Name: _____

Title: _____

Date: _____

Exhibit A – Terms and Conditions

Entire Agreement – This is the entire Agreement between Kroll and the City and supersedes any prior oral or written agreements. This Agreement may only be modified in writing signed by both parties. Any purchase order covering this engagement is only for the City's internal needs and shall not modify this Agreement.

Fees – Kroll's invoices are payable upon receipt. If payment of any invoice is not received within 45 days of the invoice date, Kroll shall be entitled, without prejudice to any other rights that it may have, to suspend services until all sums due are paid in full. In the event that Kroll is required to initiate a lawsuit or hire attorneys to collect any past due amounts, in addition to any other rights and remedies available, it shall be entitled to reimbursement of attorneys' fees and other costs of collection.

Limited Use and Reliance – The City is the sole intended user of Kroll's report or other work product. The City may disclose an informational copy of the report or other work product to its audit, tax, legal, or insurance professionals acting in an advisory capacity in connection with the purpose of this engagement. No third party shall have the right of reliance on the report, and neither receipt nor possession of the report by any third party shall create any express or implied third-party beneficiary rights.

Confidentiality – Kroll shall maintain the confidentiality of the City's information and will not disclose or use it for any purpose other than in connection with this engagement. This excludes information (i) available to the public, (ii) already in Kroll's possession, or (iii) received from a party having no confidentiality obligation to the City. Kroll may include the City's name and logo in its client list.

Engagement Limits – Kroll's work may only be used for the specific purpose or premise of value stated in this Agreement and the work product. The City shall not reference Kroll or its work in any public filing or other materials distributed to actual or prospective shareholders, investors, financing parties, or similar third parties without Kroll's prior written consent.

Independent Contractor – Kroll shall perform as an independent contractor, with no authority to bind or obligate the City in any way.

Information Provided by the City – Kroll will not independently verify information provided by the City, its advisors, or third parties acting at the City's direction. Kroll will assume and rely on the accuracy and completeness of all such information.

Retention – All files, documents, and work papers received, created, or developed during the engagement will be retained for professional recordkeeping and legal/regulatory compliance purposes, all in accordance with Kroll's document retention policy. If required by applicable law to disclose any of the documents, Kroll will, unless legally prohibited, notify the City so it may seek a protective order at its discretion.

Indemnification – The City shall indemnify and hold harmless Kroll and its affiliates, including each of their respective employees, from and against any and all liabilities, losses, costs, and reasonable expenses, including, but not limited to, reasonable legal fees and expenses and billable hours of client service personnel, which are (i) incurred in responding to subpoenas, discovery, or other similar inquiries associated with or arising from the engagement or (ii) arising from or relating to third-party claims based

on reliance or purported reliance on Kroll's work product or other alleged loss or damage caused to or alleged by any nonclient entity arising from unauthorized access to or reliance upon Kroll's work product. The foregoing indemnification obligations shall not apply in the event that a court of competent jurisdiction finally determines that such claims resulted directly from the gross negligence, willful misconduct, or fraudulent acts of Kroll.

Limitation of Liability – In no event shall Kroll be liable to the City (or any person claiming through the City) under this Agreement, under any legal theory, for any amount in excess of the total professional fees paid by the City to Kroll in connection with this engagement, except to the extent such liability is directly caused by Kroll's gross negligence, fraud, or willful misconduct. The foregoing limitation of liability shall not apply to liabilities that arise from personal injury or property damage resulting primarily from Kroll's negligence or willful misconduct. In no event shall Kroll be liable to the City for any consequential, indirect, lost profit, or similar damages relating to or arising from this engagement.

Environmental Policy – Kroll will not investigate, nor assume responsibility for, the existence or impact of any contamination or hazardous substance related to property or assets associated with this engagement.

Governing Law – This Agreement is governed by and construed in accordance with the laws of the State of New York.

Exhibit B – Property Schedule

Location Number	Description	Address	Year Built	Construction	Sq. Ft.	Replacement Cost		Total by Location
						Building	Contents	
5.4	Aeration Tanks Throughout	1631 Gaylord Rd. West Pl	1969			\$ -	\$ 206,275	\$ 206,275
13.1	Scada System	could be inside control towers				\$ -	\$ -	\$ -
19.1	East Treatment Plant-Outdoor Proj	2250 Broadway	2013			\$ -	\$ -	\$ 163,650
17.1	Valve Station	Durness Court	2001	Concrete	20	\$ 2,626	\$ 26,122	\$ 28,748
18.1	Valve Station	Root Street	2001	Concrete	20	\$ 2,626	\$ 30,254	\$ 32,880
16.1	Stateville Meter Pit	Broadway	2001	Concrete	20	\$ 6,649	\$ 19,275	\$ 25,924
1.2	Radio Tower - 145 ft.	1610 Plainfield Rd.	1975	Steel		\$ 10,730	\$ 5,380	\$ 16,110
19.24	Sludge Loading Station	2250 Broadway	2013			\$ 12,000	\$ -	\$ 17,000
19.31	Chlorinators	2250 Broadway	2015	Masonry	51	\$ 17,667	\$ 5,100	\$ 22,767
19.32	SO2 Building	2250 Broadway	2015	Masonry	51	\$ 17,667	\$ 5,350	\$ 23,017
5.14	Return Sludge Pump	1631 Gaylord Rd. West Pl	1969			\$ 19,000	\$ -	\$ 19,000
19.35	Draw-Off-Chamber #1	2250 Broadway	1988	Non-Combustible		\$ 19,489	\$ 5,600	\$ 25,089
19.37	Draw-Off-Chamber #2	2250 Broadway	1988	Non-Combustible		\$ 19,497	\$ 5,600	\$ 25,097
19.39	Draw-Off-Chamber #3	2250 Broadway	1988	Non-Combustible		\$ 19,497	\$ 5,600	\$ 25,097
19.41	Draw-Off-Chamber #4	2250 Broadway	1988	Non-Combustible		\$ 19,497	\$ 5,600	\$ 25,097
5.7	Distribution Box splitter - directional devise	1631 Gaylord Rd. West Pl	1969	concrete		\$ 19,708	\$ -	\$ 19,708
19.33	Splitter Box	2250 Broadway	1988	Frame	97	\$ 22,917	\$ 10,025	\$ 32,942
5.15	Sludge Thickener - machinery	1631 Gaylord Rd. West Pl	1969			\$ 36,960	\$ 81,100	\$ 118,060
11.1	Lift Station	2404 Plum St	1998	concrete & Steel		\$ 37,226	\$ 28,000	\$ 65,226
21.1	Diversion Valve	Canton Farm Rd.	2009	Non-Combustible		\$ 38,451	\$ 58,450	\$ 100,001
19.1	Final Effluent Metering Building	2250 Broadway	2013			\$ 43,829	\$ 8,200	\$ 52,029
19.27	Exesting Headworks Bldg.	2250 Broadway	2013	Masonry	930	\$ 50,000	\$ -	\$ 60,000
19.28	Final Clarifier Low Diversion Box	2250 Broadway	2013			\$ 52,000	\$ -	\$ 52,000
15.1	Well House #4	2333 Parkrose	2003	Concrete	725	\$ 61,251	\$ 436,800	\$ 502,263
19.17	Excess Flow Effluent Metering Stru	2250 Broadway	2013			\$ 65,449	\$ 1,700	\$ 67,149
12.1	Lift Station - Carrilon Lakes	Buckner Pond Way & Spr	2000	masonry		\$ 67,052	\$ 59,475	\$ 126,527
19.45	Transfer Station	2250 Broadway	1995	Frame	1440	\$ 70,372	\$ 5,000	\$ 75,372
19.14	Excess Flow Clarifier Flow Division	2250 Broadway	2013			\$ 70,508	\$ 9,075	\$ 79,583
19.13	Excess Flow Influent Metering Stru	2250 Broadway	2013			\$ 74,298	\$ 12,500	\$ 86,798
19.26	Electrical Building	2250 Broadway	2013	Masonry	264	\$ 75,507	\$ 100,000	\$ 175,507

Location Number	Description	Address	Year Built	Construction	Sq. Ft.	Replacement Cost		Total by Location
						Building	Contents	
6.1	Radio Equipment	Throughout City				\$ 80,000	\$ 49,661	\$ 179,911
3.1	Well House #7 and PW Building	808 Elrose Court	2017	Pre- Cast	400	\$ 91,567	\$ 47,970	\$ 274,112
19.11	Chlorene/Dechlorene Bldg.	2250 Broadway	2013	Concrete	160	\$ 100,000	\$ 59,000	\$ 199,000
19.19	RAS Pumping Station	2250 Broadway	2013			\$ 101,745	\$ 67,800	\$ 169,545
7.3	Deep Well	2401 Waterford	1996			\$ 102,000	\$ -	\$ 102,000
14.3	Deep Well	611 Chaney Ave.	1964	Masonry	300	\$ 102,000	\$ -	\$ 102,000
8.1	Well House #9	21215 Division St.	2000	Masonry	960	\$ 102,053	\$ 566,400	\$ 673,753
10.1	Well House #11	20025 Division St	2002	Masonry	960	\$ 102,053	\$ 403,975	\$ 596,653
19.23	Sludge Pump Building #1	2250 Broadway	2013	Masonry	513	\$ 102,178	\$ 48,000	\$ 150,178
5.8	Final Clarifier #1	1631 Gaylord Rd. West Pl	1969	concrete		\$ 107,575	\$ 117,900	\$ 225,475
5.9	Final Clarifier #2	1631 Gaylord Rd. West Pl	1969	concrete		\$ 107,575	\$ 117,900	\$ 225,475
1.3	Sign room city hall	1610 Plainfield Rd.	1980	Masonry	413	\$ 111,522	\$ -	\$ 111,522
19.15	Excess Flow Cholorination Bldg.	2250 Broadway	2013	Masonry	482	\$ 112,878	\$ 94,700	\$ 207,578
19.16	Excess Flow Clarifiers #1, #2 and	2250 Broadway	2013			\$ 118,000	\$ 400,000	\$ 548,000
14.2	Well House #1	611 Chaney Ave.	2016	Masonry	360	\$ 121,897	\$ 32,290	\$ 154,187
3.2	Deep Well	808 Elrose Court	2017			\$ 123,420	\$ -	\$ 123,420
15.2	Deep Well	2333 Parkrose	2003			\$ 128,800	\$ -	\$ 128,800
8.3	Deep Well	21215 Division St.	2000			\$ 138,460	\$ -	\$ 138,460
10.2	Deep Well	20025 Division St	2002			\$ 138,460	\$ -	\$ 138,460
9.2	Deep Well	861 Caton Farm	2002	Masonry		\$ 149,500	\$ -	\$ 149,500
7.1	Well House #8	2401 Waterford	1997	Masonry	909	\$ 150,017	\$ 455,500	\$ 605,517
5.1	Final Clarifier #3	1631 Gaylord Rd. West Pl	1969	concrete		\$ 153,022	\$ 128,975	\$ 281,997
5.11	Final Clarifier #4	1631 Gaylord Rd. West Pl	1969	concrete		\$ 153,022	\$ 128,975	\$ 281,997
9.1	Well House #10 Pressure adjusting	861 Caton Farm	2002	Masonry	1779	\$ 156,013	\$ 547,925	\$ 703,938
19.46	Grit Building	2250 Broadway	2013	Masonry	674	\$ 159,374	\$ 490,724	\$ 650,098
5.5	Primary Clarifier	1631 Gaylord Rd. West Pl	1969			\$ 174,858	\$ 184,250	\$ 359,108
4.1	Salt Shed	2350 Broadway St	2001	Concrete/Wood	2880	\$ 180,669	\$ -	\$ 180,669
19.44	Sludge Storage #3	2250 Broadway	1995	Non-Combustible		\$ 187,891	\$ -	\$ 187,891
19.30	Digester Controls	2250 Broadway	1988	Masonry	614	\$ 210,437	\$ 344,150	\$ 554,587
5.6	Excess Flow Clarifier - tank	1631 Gaylord Rd. West Pl	1969	concrete		\$ 211,042	\$ 184,250	\$ 395,292
19.12	Chlorine Contact Tank	2250 Broadway	2013			\$ 227,242	\$ 700	\$ 227,942
19.7	Grit Tank	2250 Broadway	2013	Concrete Masonry	650	\$ 234,679	\$ 17,218	\$ 251,897
19.29	Storage	2250 Broadway	1988	Masonry	1627	\$ 243,856	\$ -	\$ 243,856
19.34	Primary Clarifier	2250 Broadway	1988	Non-Combustible		\$ 248,018	\$ 214,900	\$ 462,918
19.36	Clarifier	2250 Broadway	1988	Non-Combustible		\$ 255,334	\$ 268,600	\$ 523,934
19.38	Clarifier	2250 Broadway	1988	Non-Combustible		\$ 255,334	\$ 214,900	\$ 470,234
19.6	Raw Sewage Pump Station	2250 Broadway	2013			\$ 289,104	\$ 311,150	\$ 600,254

Location Number	Description	Address	Year Built	Construction	Sq. Ft.	Replacement Cost		Total by Location
						Building	Contents	
19.18	NPW Building	2250 Broadway	2013	Masonry	506	\$ 290,561	\$ 139,825	\$ 430,386
19.4	Control Building	2250 Broadway	2013	Masonry	1632	\$ 296,824	\$ 2,809,125	\$ 3,108,949
19.25	Sludge Pump Building #2, SST #2	2250 Broadway	2013	Concrete	1228	\$ 300,000	\$ 139,825	\$ 512,825
19.40	Clarifier	2250 Broadway	1988	Non-Combustible		\$ 351,804	\$ 268,550	\$ 620,354
19.42	Sludge Storage #1	2250 Broadway	1988	Non-Combustible		\$ 380,683	\$ -	\$ 380,683
19.43	Sludge Storage #2	2250 Broadway	1988	Non-Combustible		\$ 380,813	\$ -	\$ 380,813
19.5	Screen Building	2250 Broadway	2013	Masonry	1450	\$ 401,054	\$ 572,000	\$ 973,054
19.3	Maintenance Garge	2250 Broadway	2013	Prefab Metal	4300	\$ 416,430	\$ 59,925	\$ 476,355
19.21	Aerobic Digester 1 - 4	2250 Broadway	2013			\$ 453,138	\$ 88,868	\$ 542,006
3.3	Storage	808 Elrose Court	2017	Masonry	6864	\$ 467,546	\$ 190,250	\$ 657,796
20.2	Salt Dome	2090 Oakland Ave.	2020	Concrete/Steel	1400	\$ 500,000	\$ -	\$ 500,000
19.2	Thickner Building	2250 Broadway	2013	Masonry	2508	\$ 504,374	\$ 705,310	\$ 1,209,684
5.13	Digester Building - 2 tank system	1631 Gaylord Rd. West Pl	1969	concrete	2480	\$ 512,796	\$ 1,185,625	\$ 1,698,421
19.22	Sludge Storage Ta #1	2250 Broadway	2013	Prefab Metal		\$ 518,000	\$ 128,000	\$ 646,000
5.2	Aeration Tanks 1 - 4	1631 Gaylord Rd. West Pl	1969			\$ 528,471	\$ -	\$ 528,471
5.3	Aeration Tanks 5 - 8	1631 Gaylord Rd. West Pl	1969			\$ 528,471	\$ -	\$ 528,471
5.1	Control Building	1631 Gaylord Rd. West Pl	1968	Masonry	3947	\$ 600,091	\$ 31,710,000	\$ 32,379,891
19.2	Administration Building	2250 Broadway	2013	Frame & Masonry	3168	\$ 725,908	\$ 49,050	\$ 850,458
5.12	Tertiary Filter	1631 Gaylord Rd. West Pl	1969	Concrete	6400	\$ 790,210	\$ 611,625	\$ 1,401,835
19.9	Final Clarifiers #1 & #2	2250 Broadway	2013			\$ 924,728	\$ 537,200	\$ 1,461,928
7.2	Elevated Water Tank 300,000 Gal	2401 Waterford	1968	Steel		\$ 1,000,450	\$ -	\$ 1,017,950
14.1	Elevated Water Tank 300,000 GA	611 Chaney Ave.	1964	Steel		\$ 1,000,450	\$ -	\$ 1,081,200
2.1	Well House #1	2010 Oakland Ave.	2016	Pre-Cast	400	\$ 1,300,000	\$ -	\$ 1,307,800
19.8	Oxidation Ditch	2250 Broadway	2013			\$ 1,486,599	\$ 526,246	\$ 2,012,845
8.2	Water Tank - 1.5M Gal.	21215 Division St.	2000	Steel		\$ 1,969,450	\$ -	\$ 1,969,450
1.1	City Hall/PD/PW	1610 Plainfield Rd.	1948	Masonry	34,234	\$ 4,837,270	\$ 737,850	\$ 6,962,807
20.1	Public Works Facility	2090 Oakland Ave.	2020	Prefab Metal	44,537	\$ 9,000,000	\$ 142,000	\$ 9,197,200
						\$ 37,150,189	\$ 47,229,568	\$ 86,686,706

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2.1	Well House #1	2010 Oakland Ave.	2016	Pre-Cast	400	\$ 1,300,000	\$ -	\$ 1,307,800
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8.2	Water Tank - 1.5M Gal.	21215 Division St.	2000	Steel		\$ 1,969,450	\$ -	\$ 1,969,450
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20.1	Public Works Facility	2090 Oakland Ave.	2020	Prefab Metal	44,537	\$ 9,000,000	\$ 142,000	\$ 9,197,200
						\$ 37,150,189	\$ 47,229,568	\$ 86,686,706



May 30, 2023

Ms. Lisa Banovetz CPA, MBA
Director of Finance
City of Crest Hill
20600 City Center Blvd
Crest Hill, IL 60403

Dear Ms. Banovetz:

Kroll, LLC ("Kroll"), will provide the City of Crest Hill ("the City") the appraisal services described within this agreement ("Agreement").

Purpose of the Engagement

The purpose of this engagement is to provide the City a property insurance appraisal for the City's use in connection with its internal analysis of its insurance needs with respect to the identified property. Our analysis will be dated as of the last day of our site inspection. Our opinion is intended to assist the City in making informed business decisions; it is not a recommendation. Any decisions relating to insurance coverage shall remain the City's responsibility and be made solely at its discretion.

Engagement Scope

We will research and report the insurable value (our "Opinion") of certain City property.

Description of Identified Property

The property is located at various sites as identified by the City in the Property Schedule (**Exhibit B**).

These property classifications will be included in the engagement:

- 1) Buildings
- 2) Personal property

Assets not identified above will be excluded from the engagement.

If the City's insurance policy excludes coverage of specific property classifications, in part or whole, the City should notify us in writing prior to beginning the engagement if those assets should be excluded.

We will work with the City during the engagement to further refine the scope of the identified property to be included in the engagement, if applicable. Depending on the nature and extent of changes in the scope of the engagement we may need to revise our fee.

Definition of Insurable Value

We will develop our opinion of insurable value as the replacement cost value (RCV), defined as the estimated amount required to reproduce a property entirely at one time, in like kind and quality, in accordance with current market prices for labor, materials, and manufactured equipment; contractors' overhead and profit; and fees, but without provisions for overtime, bonuses for labor, or premiums for materials and equipment.

In estimating insurable value, we will allow for national building codes; however, we will not consider any construction codes imposed by state or local municipalities, ordinances, or other legal restrictions, nor will we consider the cost of demolition in connection with reconstruction or the cost of removal of destroyed property.

Valuation Methodology

Our appraisal will rely solely on the cost approach because the market and income approaches are not applicable for the purpose of this engagement.

Scope of Work

We anticipate this engagement will include the following:

Buildings

We will utilize a full-scope segregated cost approach including an inspection of each building to identify construction data that will be used in the valuation process. During inspection of the premises, we will calculate each building's area and perimeter by measuring the structure, through an analysis of the as-built blueprints, or from other verified sources; identify and record data of the major construction components (type of structure, walls, roof, etc.); determine the construction class; record data of major service systems (electrical, plumbing, security, elevators, heating, ventilation, cooling, etc.); photograph the building; and record the GPS coordinates. The insurable value of each building and the related construction, occupancy, protection, and exposure data obtained during the inspection will be reported on an itemized basis.

Personal Property

We will develop an opinion of the insurable value of personal property through use of a modeling approach, which relies on our proprietary database containing data from thousands of detailed equipment inventories we have performed. The model develops the insurable value of each building's personal property on the basis of building occupancy and square footage. The model can be altered to account for above- or below-

average density of personal property. A single insurable value will be reported for each building's personal property.

Terms and Conditions

This Agreement is subject to and incorporates the **Terms and Conditions** attached as **Exhibit A**.

Fee

The fee is \$175 per building or approximately \$15,925 based on the scheduled provide. Our fee is including expenses, and will be invoiced as follows:

- 30% of fee upon authorization of the engagement
- Progress billing as time is charged and expenses are incurred

This fee includes issuing the deliverables below and responding to customary questions from the City and its insurance brokers or advisors. Additional fee will be required for an increase in engagement scope or involvement in subsequent reviews beyond the customary work effort.

The City may cancel this engagement at any time and will only be obligated for fees and expenses incurred. Our fee is not contingent on our Opinion or any subsequent event related to it.

Timing and Deliverables

This engagement will require cooperation, access, and timely receipt of requested information from management of the City. After this Agreement is signed and all requested information is received, we will begin our analyses and provide our Final report within 4-6 weeks after completion of our site inspections.

The report will be provided in electronic format and will present our Opinion and related narrative discussion of the supporting analyses and assumptions, along with appropriate exhibits. Additional relevant information and analyses considered in our Opinion will be retained in our work files.

Conclusion

We appreciate the opportunity to serve the City. To authorize, please sign below and return the full executed copy to michael.domin@kroll.com. This Agreement shall remain valid for signature for 30 days. Please contact me at 630 841 7948 with any questions.

Sincerely,



Michael Domin
Managing Director
Kroll, LLC

Client of Record:

City of Crest Hill

Signature: _____

Name: _____

Title: _____

Date: _____

Exhibit A – Terms and Conditions

Entire Agreement – This is the entire Agreement between Kroll and the City and supersedes any prior oral or written agreements. This Agreement may only be modified in writing signed by both parties. Any purchase order covering this engagement is only for the City's internal needs and shall not modify this Agreement.

Fees – Kroll's invoices are payable upon receipt. If payment of any invoice is not received within 45 days of the invoice date, Kroll shall be entitled, without prejudice to any other rights that it may have, to suspend services until all sums due are paid in full. In the event that Kroll is required to initiate a lawsuit or hire attorneys to collect any past due amounts, in addition to any other rights and remedies available, it shall be entitled to reimbursement of attorneys' fees and other costs of collection.

Limited Use and Reliance – The City is the sole intended user of Kroll's report or other work product. The City may disclose an informational copy of the report or other work product to its audit, tax, legal, or insurance professionals acting in an advisory capacity in connection with the purpose of this engagement. No third party shall have the right of reliance on the report, and neither receipt nor possession of the report by any third party shall create any express or implied third-party beneficiary rights.

Confidentiality – Kroll shall maintain the confidentiality of the City's information and will not disclose or use it for any purpose other than in connection with this engagement. This excludes information (i) available to the public, (ii) already in Kroll's possession, or (iii) received from a party having no confidentiality obligation to the City. Kroll may include the City's name and logo in its client list.

Engagement Limits – Kroll's work may only be used for the specific purpose or premise of value stated in this Agreement and the work product. The City shall not reference Kroll or its work in any public filing or other materials distributed to actual or prospective shareholders, investors, financing parties, or similar third parties without Kroll's prior written consent.

Independent Contractor – Kroll shall perform as an independent contractor, with no authority to bind or obligate the City in any way.

Information Provided by the City – Kroll will not independently verify information provided by the City, its advisors, or third parties acting at the City's direction. Kroll will assume and rely on the accuracy and completeness of all such information.

Retention – All files, documents, and work papers received, created, or developed during the engagement will be retained for professional recordkeeping and legal/regulatory compliance purposes, all in accordance with Kroll's document retention policy. If required by applicable law to disclose any of the documents, Kroll will, unless legally prohibited, notify the City so it may seek a protective order at its discretion.

Indemnification – The City shall indemnify and hold harmless Kroll and its affiliates, including each of their respective employees, from and against any and all liabilities, losses, costs, and reasonable expenses, including, but not limited to, reasonable legal fees and expenses and billable hours of client service personnel, which are (i) incurred in responding to subpoenas, discovery, or other similar inquiries associated with or arising from the engagement or (ii) arising from or relating to third-party claims based

on reliance or purported reliance on Kroll's work product or other alleged loss or damage caused to or alleged by any nonclient entity arising from unauthorized access to or reliance upon Kroll's work product. The foregoing indemnification obligations shall not apply in the event that a court of competent jurisdiction finally determines that such claims resulted directly from the gross negligence, willful misconduct, or fraudulent acts of Kroll.

Limitation of Liability – In no event shall Kroll be liable to the City (or any person claiming through the City) under this Agreement, under any legal theory, for any amount in excess of the total professional fees paid by the City to Kroll in connection with this engagement, except to the extent such liability is directly caused by Kroll's gross negligence, fraud, or willful misconduct. The foregoing limitation of liability shall not apply to liabilities that arise from personal injury or property damage resulting primarily from Kroll's negligence or willful misconduct. In no event shall Kroll be liable to the City for any consequential, indirect, lost profit, or similar damages relating to or arising from this engagement.

Environmental Policy – Kroll will not investigate, nor assume responsibility for, the existence or impact of any contamination or hazardous substance related to property or assets associated with this engagement.

Governing Law – This Agreement is governed by and construed in accordance with the laws of the State of New York

Exhibit B – Property Schedule

Location Number	Description	Address	Year Built	Construction	Sq. Ft.	Replacement Cost		Total by Location
						Building	Contents	
5.4	Aeration Tanks Throughout	1631 Gaylord Rd. West Pl	1969			\$ -	\$ 206,275	\$ 206,275
13.1	Scada System	could be inside control towers				\$ -	\$ -	\$ -
19.1	East Treatment Plant-Outdoor Proj	2250 Broadway	2013			\$ -	\$ -	\$ 163,650
17.1	Valve Station	Durness Court	2001	Concrete	20	\$ 2,626	\$ 26,122	\$ 28,748
18.1	Valve Station	Root Street	2001	Concrete	20	\$ 2,626	\$ 30,254	\$ 32,880
16.1	Stateville Meter Pit	Broadway	2001	Concrete	20	\$ 6,649	\$ 19,275	\$ 25,924
1.2	Radio Tower - 145 ft.	1610 Plainfield Rd.	1975	Steel		\$ 10,730	\$ 5,380	\$ 16,110
19.24	Sludge Loading Station	2250 Broadway	2013			\$ 12,000	\$ -	\$ 17,000
19.31	Chlorinators	2250 Broadway	2015	Masonry	51	\$ 17,667	\$ 5,100	\$ 22,767
19.32	SO2 Building	2250 Broadway	2015	Masonry	51	\$ 17,667	\$ 5,350	\$ 23,017
5.14	Return Sludge Pump	1631 Gaylord Rd. West Pl	1969			\$ 19,000	\$ -	\$ 19,000
19.35	Draw-Off-Chamber #1	2250 Broadway	1988	Non-Combustible		\$ 19,489	\$ 5,600	\$ 25,089
19.37	Draw-Off-Chamber #2	2250 Broadway	1988	Non-Combustible		\$ 19,497	\$ 5,600	\$ 25,097
19.39	Draw-Off-Chamber #3	2250 Broadway	1988	Non-Combustible		\$ 19,497	\$ 5,600	\$ 25,097
19.41	Draw-Off-Chamber #4	2250 Broadway	1988	Non-Combustible		\$ 19,497	\$ 5,600	\$ 25,097
5.7	Distribution Box splitter - directional devise	1631 Gaylord Rd. West Pl	1969	concrete		\$ 19,708	\$ -	\$ 19,708
19.33	Splitter Box	2250 Broadway	1988	Frame	97	\$ 22,917	\$ 10,025	\$ 32,942
5.15	Sludge Thickener - machinery	1631 Gaylord Rd. West Pl	1969			\$ 36,960	\$ 81,100	\$ 118,060
11.1	Lift Station	2404 Plum St	1998	concrete & Steel		\$ 37,226	\$ 28,000	\$ 65,226
21.1	Diversion Valve	Canton Farm Rd.	2009	Non-Combustible		\$ 38,451	\$ 58,450	\$ 100,001
19.1	Final Effluent Metering Building	2250 Broadway	2013			\$ 43,829	\$ 8,200	\$ 52,029
19.27	Exesting Headworks Bldg.	2250 Broadway	2013	Masonry	930	\$ 50,000	\$ -	\$ 60,000
19.28	Final Clarifier Low Diversion Box	2250 Broadway	2013			\$ 52,000	\$ -	\$ 52,000
15.1	Well House #4	2333 Parkrose	2003	Concrete	725	\$ 61,251	\$ 436,800	\$ 502,263
19.17	Excess Flow Effluent Metering Stru	2250 Broadway	2013			\$ 65,449	\$ 1,700	\$ 67,149
12.1	Lift Station - Carrilon Lakes	Buckner Pond Way & Spri	2000	masonry		\$ 67,052	\$ 59,475	\$ 126,527
19.45	Transfer Station	2250 Broadway	1995	Frame	1440	\$ 70,372	\$ 5,000	\$ 75,372
19.14	Excess Flow Clarifier Flow Division	2250 Broadway	2013			\$ 70,508	\$ 9,075	\$ 79,583
19.13	Excess Flow Influent Metering Struc	2250 Broadway	2013			\$ 74,298	\$ 12,500	\$ 86,798
19.26	Electrical Building	2250 Broadway	2013	Masonry	264	\$ 75,507	\$ 100,000	\$ 175,507

Location Number	Description	Address	Year Built	Construction	Sq. Ft.	Replacement Cost		Total by Location
						Building	Contents	
6.1	Radio Equipment	Throughout City				\$ 80,000	\$ 49,661	\$ 179,911
3.1	Well House #7 and PW Building	808 Elrose Court	2017	Pre-Cast	400	\$ 91,567	\$ 47,970	\$ 274,112
19.11	Chlorene/Dechlorene Bldg.	2250 Broadway	2013	Concrete	160	\$ 100,000	\$ 59,000	\$ 199,000
19.19	RAS Pumping Station	2250 Broadway	2013			\$ 101,745	\$ 67,800	\$ 169,545
7.3	Deep Well	2401 Waterford	1996			\$ 102,000	\$ -	\$ 102,000
14.3	Deep Well	611 Chaney Ave.	1964	Masonry	300	\$ 102,000	\$ -	\$ 102,000
8.1	Well House #9	21215 Division St.	2000	Masonry	960	\$ 102,053	\$ 566,400	\$ 673,753
10.1	Well House #11	20025 Division St	2002	Masonry	960	\$ 102,053	\$ 403,975	\$ 596,653
19.23	Sludge Pump Building #1	2250 Broadway	2013	Masonry	513	\$ 102,178	\$ 48,000	\$ 150,178
5.8	Final Clarifier #1	1631 Gaylord Rd. West Pl	1969	concrete		\$ 107,575	\$ 117,900	\$ 225,475
5.9	Final Clarifier #2	1631 Gaylord Rd. West Pl	1969	concrete		\$ 107,575	\$ 117,900	\$ 225,475
1.3	Sign room city hall	1610 Plainfield Rd.	1980	Masonry	413	\$ 111,522	\$ -	\$ 111,522
19.15	Excess Flow Chlorination Bldg.	2250 Broadway	2013	Masonry	482	\$ 112,878	\$ 94,700	\$ 207,578
19.16	Excess Flow Clarifiers #1, #2 and #3	2250 Broadway	2013			\$ 118,000	\$ 400,000	\$ 548,000
14.2	Well House #1	611 Chaney Ave.	2016	Masonry	360	\$ 121,897	\$ 32,290	\$ 154,187
3.2	Deep Well	808 Elrose Court	2017			\$ 123,420	\$ -	\$ 123,420
15.2	Deep Well	2333 Parkrose	2003			\$ 128,800	\$ -	\$ 128,800
8.3	Deep Well	21215 Division St.	2000			\$ 138,460	\$ -	\$ 138,460
10.2	Deep Well	20025 Division St	2002			\$ 138,460	\$ -	\$ 138,460
9.2	Deep Well	861 Caton Farm	2002	Masonry		\$ 149,500	\$ -	\$ 149,500
7.1	Well House #8	2401 Waterford	1997	Masonry	909	\$ 150,017	\$ 455,500	\$ 605,517
5.1	Final Clarifier #3	1631 Gaylord Rd. West Pl	1969	concrete		\$ 153,022	\$ 128,975	\$ 281,997
5.11	Final Clarifier #4	1631 Gaylord Rd. West Pl	1969	concrete		\$ 153,022	\$ 128,975	\$ 281,997
9.1	Well House #10 Pressure adjusting	861 Caton Farm	2002	Masonry	1779	\$ 156,013	\$ 547,925	\$ 703,938
19.46	Grit Building	2250 Broadway	2013	Masonry	674	\$ 159,374	\$ 490,724	\$ 650,098
5.5	Primary Clarifier	1631 Gaylord Rd. West Pl	1969			\$ 174,858	\$ 184,250	\$ 359,108
4.1	Salt Shed	2350 Broadway St.	2001	Concrete/Wood	2880	\$ 180,669	\$ -	\$ 180,669
19.44	Sludge Storage #3	2250 Broadway	1995	Non-Combustible		\$ 187,891	\$ -	\$ 187,891
19.30	Digester Controls	2250 Broadway	1988	Masonry	614	\$ 210,437	\$ 344,150	\$ 554,587
5.6	Excess Flow Clarifier - tank	1631 Gaylord Rd. West Pl	1969	concrete		\$ 211,042	\$ 184,250	\$ 395,292
19.12	Chlorine Contact Tank	2250 Broadway	2013			\$ 227,242	\$ 700	\$ 227,942
19.7	Grit Tank	2250 Broadway	2013	Concrete Masonry	650	\$ 234,679	\$ 17,218	\$ 251,897
19.29	Storage	2250 Broadway	1988	Masonry	1627	\$ 243,856	\$ -	\$ 243,856
19.34	Primary Clarifier	2250 Broadway	1988	Non-Combustible		\$ 248,018	\$ 214,900	\$ 462,918
19.36	Clarifier	2250 Broadway	1988	Non-Combustible		\$ 255,334	\$ 268,600	\$ 523,934
19.38	Clarifier	2250 Broadway	1988	Non-Combustible		\$ 255,334	\$ 214,900	\$ 470,234
19.6	Raw Sewage Pump Station	2250 Broadway	2013			\$ 289,104	\$ 311,150	\$ 600,254

Location Number	Description	Address	Year Built	Construction	Sq. Ft.	Replacement Cost		Total by Location
						Building	Contents	
19.18	NPW Building	2250 Broadway	2013	Masonry	506	\$ 290,561	\$ 139,825	\$ 430,386
19.4	Control Building	2250 Broadway	2013	Masonry	1632	\$ 296,824	\$ 2,809,125	\$ 3,108,949
19.25	Sludge Pump Building #2, SST #2	2250 Broadway	2013	Concrete	1228	\$ 300,000	\$ 139,825	\$ 512,825
19.40	Clarifier	2250 Broadway	1988	Non-Combustible		\$ 351,804	\$ 268,550	\$ 620,354
19.42	Sludge Storage #1	2250 Broadway	1988	Non-Combustible		\$ 380,683	\$ -	\$ 380,683
19.43	Sludge Storage #2	2250 Broadway	1988	Non-Combustible		\$ 380,813	\$ -	\$ 380,813
19.5	Screen Building	2250 Broadway	2013	Masonry	1450	\$ 401,054	\$ 572,000	\$ 973,054
19.3	Maintenance Garge	2250 Broadway	2013	Prefab Metal	4300	\$ 416,430	\$ 59,925	\$ 476,355
19.21	Aerobic Digester 1 - 4	2250 Broadway	2013			\$ 453,138	\$ 88,868	\$ 542,006
3.3	Storage	808 Elrose Court	2017	Masonry	6864	\$ 467,546	\$ 190,250	\$ 657,796
20.2	Salt Dome	2090 Oakland Ave.	2020	Concrete/Steel	1400	\$ 500,000	\$ -	\$ 500,000
19.2	Thickner Building	2250 Broadway	2013	Masonry	2508	\$ 504,374	\$ 705,310	\$ 1,209,684
5.13	Digester Building - 2 tank system u	1631 Gaylord Rd. West Pl	1969	concrete	2480	\$ 512,796	\$ 1,185,625	\$ 1,698,421
19.22	Sludge Storage Ta #1	2250 Broadway	2013	Prefab Metal		\$ 518,000	\$ 128,000	\$ 646,000
5.2	Aeration Tanks 1 - 4	1631 Gaylord Rd. West Pl	1969			\$ 528,471	\$ -	\$ 528,471
5.3	Aeration Tanks 5 - 8	1631 Gaylord Rd. West Pl	1969			\$ 528,471	\$ -	\$ 528,471
5.1	Control Building	1631 Gaylord Rd. West Pl	1968	Masonry	3947	\$ 600,091	\$ 31,710,000	\$ 32,379,891
19.2	Administration Building	2250 Broadway	2013	Frame & Masonry	3168	\$ 725,908	\$ 49,050	\$ 850,458
5.12	Tertiary Filter	1631 Gaylord Rd. West Pl	1969	Concrete	6400	\$ 790,210	\$ 611,625	\$ 1,401,835
19.9	Final Clarifiers #1 & #2	2250 Broadway	2013			\$ 924,728	\$ 537,200	\$ 1,461,928
7.2	Elevated Water Tank 300,000 Gal.	2401 Waterford	1968	Steel		\$ 1,000,450	\$ -	\$ 1,017,950
14.1	Elevated Water Tank 300,000 GAL	611 Chaney Ave.	1964	Steel		\$ 1,000,450	\$ -	\$ 1,081,200
2.1	Well House #1	2010 Oakland Ave.	2016	Pre-Cast	400	\$ 1,300,000	\$ -	\$ 1,307,800
19.8	Oxidation Ditch	2250 Broadway	2013			\$ 1,486,599	\$ 526,246	\$ 2,012,845
8.2	Water Tank - 1.5M Gal.	21215 Division St.	2000	Steel		\$ 1,969,450	\$ -	\$ 1,969,450
1.1	City Hall/PD/PW	1610 Plainfield Rd.	1948	Masonry	34,234	\$ 4,837,270	\$ 737,850	\$ 6,962,807
20.1	Public Works Facility	2090 Oakland Ave.	2020	Prefab Metal	44,537	\$ 9,000,000	\$ 142,000	\$ 9,197,200
						\$ 37,150,189	\$ 47,229,568	\$ 86,686,706



City Council Agenda Memo

Crest Hill, IL

Meeting Date: June 12, 2023

Submitter: Lisa Banovetz, Director of Finance / Glen Conklin, Treasurer

Department: Treasurer's Office

Agenda Item: City Owned Vehicles and Clothing Allowance ~ Stipend Discussion

Summary: Councilman Dyke requested at the May 15, 2023 City Council meeting that the May 22, 2023 City Council Work session include an item on the agenda to discuss City owned/purchased vehicles.

Currently employees are not taxed on the any benefit they receive for using a City issued vehicle for personal use. Attached is Publication 15-B (2023), Employer's Tax Guide to Fringe Benefits. Page 24 of this IRS Publication addresses how employers should handle taxing this benefit for its employees.

In addition, the City does not tax currently tax employees for the benefit that it provides to its employees for clothing allowances/stipends.

For clothing allowances/stipends, the IRS guidelines are listed below as to how employers should handle taxing this benefit for its employees:

Clothing Provided by the Employer

The value of work clothing provided by the employer is not taxable to the employee if:

- The employee must wear the clothing as a condition of employment; and
- The clothes are not suitable for everyday wear.

It is not enough that the employee wear distinctive clothing; the employer must specifically require the clothing as a working condition. Nor is the test met because the employee does not, in fact, wear the work clothes away from work. The clothing must not be suitable for taking the place of regular clothing. However, a detective's suit jacket and related clothing, since they are suitable for everyday wear, do not qualify as a uniform and are taxable to the employee.

The value and upkeep of work clothes provided to firefighters, health care workers, law enforcement officers or letter carriers is nontaxable to the employee. Similarly, the value of safety shoes or boots, safety glasses, hard hats and work gloves provided and maintained by the employer are not taxable. Reimbursements to employees for their purchase of any of these are excludable if the expenditures are substantiated under the accountable plan rules.

Clothing Allowances

If clothing provided does not qualify as a deductible expense (i.e. as a uniform), then the clothing, or reimbursement for the clothing, must be treated as a taxable fringe benefit and is subject to income, social security and Medicare taxes. Thus, a clothing allowance, such as for a police officer or firefighter uniform, qualifies for exclusion from income if it meets all the requirements of an accountable plan (qualified expense, substantiation, and return of excess).

If the clothing **MUST** be worn as a condition of employment **AND** the clothes are **NOT** suitable for everyday wear, then the allowance is **NOT TAXABLE**. Otherwise, the allowance would be taxable and included on his/her W-2.

Recommended Council Action: City Council to provide direction on how to proceed with future purchases of City vehicles and any recommendations on implementing a policy related to current City owned vehicles issued to City employees as well as how to handle tax implications related to the benefit the employees are receiving for the personal use of City issued vehicles in addition to clothing allowances ~ stipends.

Financial Impact:

Funding Source: N/A

Budgeted Amount: N/A

Cost: N/A

Attachments

- IRS Employer's Tax Guide to Fringe Benefits
- 2022 Ford Explorer Black purchase agreement
- 2022 Ford Explorer Gray purchase agreement



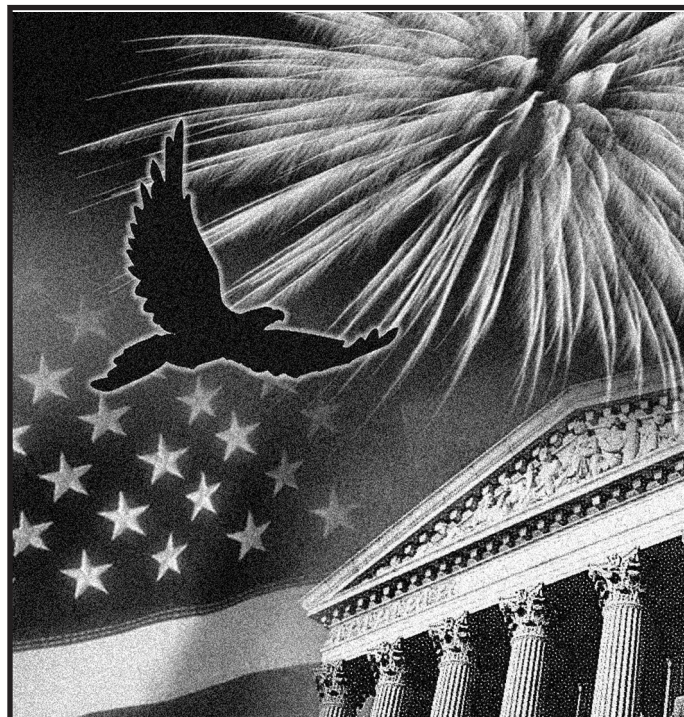
Department of the Treasury
Internal Revenue Service

Publication 15-B

Cat. No. 29744N

Employer's Tax Guide to Fringe Benefits

For use in **2023**



Get forms and other information faster and easier at:

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- [IRS.gov/Spanish](https://www.irs.gov/spanish) (Español)
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Future Developments

For the latest information about developments related to Pub. 15-B, such as legislation enacted after it was published, go to [IRS.gov/Pub15B](https://www.irs.gov/pub15b). For the latest guidance and information about COVID-19 tax relief, go to [IRS.gov/Coronavirus](https://www.irs.gov/coronavirus).

What's New

Cents-per-mile rule. The business mileage rate for 2023 is 65.5 cents per mile. You may use this rate to reimburse an employee for business use of a personal vehicle, and

under certain conditions, you may use the rate under the cents-per-mile rule to value the personal use of a vehicle you provide to an employee. See [Cents-Per-Mile Rule](#) in section 3.

Qualified parking exclusion and commuter transportation benefit. For 2023, the monthly exclusion for qualified parking is \$300 and the monthly exclusion for commuter highway vehicle transportation and transit passes is \$300. See [Qualified Transportation Benefits](#) in section 2.

Contribution limit on a health flexible spending arrangement (FSA). For plan years beginning in 2023, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of \$3,050. For more information, including information about temporary COVID-19 relief for health and dependent care FSAs for 2022 and 2023, see [Cafeteria Plans](#) in section 1.

Reminders

Moving expense reimbursements. P.L. 115-97, Tax Cuts and Jobs Act, suspends the exclusion for qualified moving expense reimbursements from your employee's income for tax years beginning after 2017 and before 2026. However, the exclusion is still available in the case of a member of the U.S. Armed Forces on active duty who moves because of a permanent change of station due to a military order. The exclusion applies only to reimbursement of moving expenses that the member could deduct if they had paid or incurred them without reimbursement. See *Moving Expenses* in Pub. 3, Armed Forces' Tax Guide, for the definition of what constitutes a permanent change of station and to learn which moving expenses are deductible.

Bicycle commuting reimbursements. P.L. 115-97 suspends the exclusion of qualified bicycle commuting reimbursements from your employee's income for tax years beginning after 2017 and before 2026. See [Transportation \(Commuting\) Benefits](#) in section 2.

Withholding on supplemental wages. P.L. 115-97 lowered the federal income tax withholding rates on supplemental wages for tax years beginning after 2017 and before 2026. See [Withholding and depositing taxes](#) in section 4 for the withholding rates.

Form 1099-NEC. Use Form 1099-NEC to report nonemployee compensation paid in 2022. The 2022 Form 1099-NEC is due January 31, 2023.

Additional permitted election changes for health coverage under a cafeteria plan. Notice 2014-55, 2014-41 I.R.B. 672, available at [IRS.gov/irb/2014-41 IRB#NOT-2014-55](#), expands the application of the permitted change rules for health coverage under a cafeteria plan and discusses two specific situations in which a cafeteria plan participant is permitted to revoke their election under a cafeteria plan during a period of coverage.

Definition of marriage. A marriage of two individuals is recognized for federal tax purposes if the marriage is recognized by the state, possession, or territory of the United

States in which the marriage is entered into, regardless of legal residence. Two individuals who enter into a relationship that is denominated as a marriage under the laws of a foreign jurisdiction are recognized as married for federal tax purposes if the relationship would be recognized as a marriage under the laws of at least one state, possession, or territory of the United States, regardless of legal residence. Individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that isn't denominated as a marriage under the law of the state, possession, or territory of the United States where such relationship was entered into aren't lawfully married for federal tax purposes, regardless of legal residence.

Notice 2014-1 discusses how certain rules for cafeteria plans, including health and dependent care FSAs, and health savings accounts (HSAs) apply to same-sex spouses participating in employee benefit plans. Notice 2014-1, 2014-2 I.R.B. 270, is available at [IRS.gov/irb/2014-02 IRB#NOT-2014-1](#).

Getting tax forms, instructions, and publications. Visit [IRS.gov/Forms](#) to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to [IRS.gov/OrderForms](#) to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order as soon as possible. Don't resubmit requests you've already sent us. You can get forms, instructions, and publications faster online.

Getting answers to your tax questions. If you have a tax question not answered by this publication, check IRS.gov and [How To Get Tax Help](#) at the end of this publication.

Photographs of missing children. The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication supplements Pub. 15, Employer's Tax Guide, and Pub. 15-A, Employer's Supplemental Tax Guide. It contains information for employers on the employment tax treatment of fringe benefits.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](#).

Or you can write to:

Internal Revenue Service
Tax Forms and Publications
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to this address.

1. Fringe Benefit Overview

A fringe benefit is a form of pay for the performance of services. For example, you provide an employee with a fringe benefit when you allow the employee to use a business vehicle to commute to and from work.

Performance of services. A person who performs services for you doesn't have to be your employee. A person may perform services for you as an independent contractor, partner, or director. Also, for fringe benefit purposes, treat a person who agrees not to perform services (such as under a covenant not to compete) as performing services.

Provider of benefit. You're the provider of a fringe benefit if it is provided for services performed for you. You're considered the provider of a fringe benefit even if a third party, such as your client or customer, provides the benefit to your employee for services the employee performs for you. For example, if, in exchange for goods or services, your customer provides daycare services as a fringe benefit to your employees for services they provide for you as their employer, then you're the provider of this fringe benefit even though the customer is actually providing the daycare.

Recipient of benefit. The person who performs services for you is considered the recipient of a fringe benefit provided for those services. That person may be considered the recipient even if the benefit is provided to someone who didn't perform services for you. For example, your employee may be the recipient of a fringe benefit you provide to a member of the employee's family.

Are Fringe Benefits Taxable?

Any fringe benefit you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it. [Section 2](#) discusses the exclusions that apply to certain fringe benefits. Any benefit not excluded under the rules discussed in section 2 is taxable.

Including taxable benefits in pay. You must include in a recipient's pay the amount by which the value of a fringe benefit is more than the sum of the following amounts.

- Any amount the law excludes from pay.
- Any amount the recipient paid for the benefit.

The rules used to determine the value of a fringe benefit are discussed in [section 3](#).

If the recipient of a taxable fringe benefit is your employee, the benefit is generally subject to employment taxes and must be reported on Form W-2, Wage and Tax

Statement. However, you can use special rules to hold, deposit, and report the employment taxes. Item 12. These rules are discussed in [section 4](#).

If the recipient of a taxable fringe benefit isn't your employee, the benefit isn't subject to employment taxes. However, you may have to report the benefit on one of the following information returns.

If the recipient receives the benefit as:	Use:
An independent contractor	Form 1099-NEC, Nonemployee Compensation
A partner	Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc.

For more information, see the instructions for the forms listed above.

Cafeteria Plans

A cafeteria plan, including an FSA, provides participants an opportunity to receive qualified benefits on a pre-tax basis. It is a written plan that allows your employees to choose between receiving cash or taxable benefits, instead of certain qualified benefits for which the law provides an exclusion from wages. If an employee chooses to receive a qualified benefit under the plan, the fact that the employee could have received cash or a taxable benefit instead won't make the qualified benefit taxable.

Generally, a cafeteria plan doesn't include any plan that offers a benefit that defers pay. However, a cafeteria plan can include a qualified 401(k) plan as a benefit. Also, certain life insurance plans maintained by educational institutions can be offered as a benefit even though they defer pay.

Qualified benefits. A cafeteria plan can include the following benefits discussed in [section 2](#).

- Accident and health benefits (but not Archer medical savings accounts (Archer MSAs) or long-term care insurance).
- Adoption assistance.
- Dependent care assistance.
- Group-term life insurance coverage (including costs that can't be excluded from wages).
- HSAs. Distributions from an HSA may be used to pay eligible long-term care insurance premiums or to pay for qualified long-term care services.

Benefits not allowed. A cafeteria plan can't include the following benefits discussed in [section 2](#).

- Archer MSAs. See [Accident and Health Benefits](#) in section 2.
- Athletic facilities.
- De minimis (minimal) benefits.

- Educational assistance.
- Employee discounts.
- Employer-provided cell phones.
- Lodging on your business premises.
- Meals.
- No-additional-cost services.
- Retirement planning services.
- Transportation (commuting) benefits.
- Tuition reduction.
- Working condition benefits.

It also can't include scholarships or fellowships (discussed in Pub. 970).

Contribution limit on a health FSA. For plan years beginning in 2023, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of \$3,050.

A cafeteria plan that doesn't limit health FSA contributions to the dollar limit isn't a cafeteria plan and all benefits offered under the plan are includible in the employee's gross income.

For more information, see Notice 2012-40, 2012-26 I.R.B. 1046, available at [IRS.gov/irb/2012-26_IRB#NOT-2012-40](https://www.irs.gov/irb/2012-26_IRB#NOT-2012-40).

"Use-or-lose" rule for health FSAs. Instead of a grace period, you may, at your option, amend your cafeteria plan to allow an employee's unused contributions to carry over to the immediately following plan year. For more information, see Notice 2013-71, 2013-47 I.R.B. 532, available at [IRS.gov/irb/2013-47_IRB#NOT-2013-71](https://www.irs.gov/irb/2013-47_IRB#NOT-2013-71), and Notice 2020-33, 2020-22 I.R.B. 868, available at [IRS.gov/irb/2020-22_IRB#NOT-2020-33](https://www.irs.gov/irb/2020-22_IRB#NOT-2020-33).

Employee. For these plans, treat the following individuals as employees.

- A current common-law employee. See section 2 in Pub. 15.
- A full-time life insurance agent who is a current statutory employee.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.

Exception for S corporation shareholders. Don't treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder for this purpose is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

Plans that favor highly compensated employees Item 12.

If your plan favors highly compensated employees as to eligibility to participate, contributions, or benefits, you must include in their wages the value of taxable benefits they could have selected. A plan you maintain under a collective bargaining agreement doesn't favor highly compensated employees.

A highly compensated employee for this purpose is any of the following employees.

1. An officer.
2. A shareholder who owns more than 5% of the voting power or value of all classes of the employer's stock.
3. An employee who is highly compensated based on the facts and circumstances.
4. A spouse or dependent of a person described in (1), (2), or (3).

Plans that favor key employees. If your plan favors key employees, you must include in their wages the value of taxable benefits they could have selected. A plan favors key employees if more than 25% of the total of the nontaxable benefits you provide for all employees under the plan go to key employees. However, a plan you maintain under a collective bargaining agreement doesn't favor key employees.

A key employee during 2023 is generally an employee who is either of the following.

1. An officer having annual pay of more than \$215,000.
2. An employee who for 2023 is either of the following.
 - a. A 5% owner of your business.
 - b. A 1% owner of your business whose annual pay is more than \$150,000.

Simple Cafeteria Plans for Small Businesses

Eligible employers meeting contribution requirements and eligibility and participation requirements can establish a simple cafeteria plan. Simple cafeteria plans are treated as meeting the nondiscrimination requirements of a cafeteria plan and certain benefits under a cafeteria plan.

Eligible employer. You're an eligible employer if you employed an average of 100 or fewer employees during either of the 2 preceding years. If your business wasn't in existence throughout the preceding year, you're eligible if you reasonably expect to employ an average of 100 or fewer employees in the current year. If you establish a simple cafeteria plan in a year that you employ an average of 100 or fewer employees, you're considered an eligible employer for any subsequent year until the year after you employ an average of 200 or more employees.

Eligibility and participation requirements. These requirements are met if all employees who had at least 1,000 hours of service for the preceding plan year are eligible to participate and each employee eligible to

participate in the plan may elect any benefit available under the plan. You may elect to exclude from the plan employees who:

1. Are under age 21 before the close of the plan year,
2. Have less than 1 year of service with you as of any day during the plan year,
3. Are covered under a collective bargaining agreement if there is evidence that the benefits covered under the cafeteria plan were the subject of good-faith bargaining, or
4. Are nonresident aliens working outside the United States whose income didn't come from a U.S. source.

Contribution requirements. You must make a contribution to provide qualified benefits on behalf of each qualified employee in an amount equal to:

1. A uniform percentage (not less than 2%) of the employee's compensation for the plan year; or
2. An amount that is at least 6% of the employee's compensation for the plan year or twice the amount of the salary reduction contributions of each qualified employee, whichever is less.

If the contribution requirements are met using option (2), the rate of contribution to any salary reduction contribution of a highly compensated or key employee can't be greater than the rate of contribution to any other employee.

More information. For more information about cafeteria plans, see section 125 of the Internal Revenue Code and its regulations.

2. Fringe Benefit Exclusion Rules

This section discusses the exclusion rules that apply to fringe benefits. These rules exclude all or part of the value of certain benefits from the recipient's pay.

In most cases, the excluded benefits aren't subject to federal income tax withholding, social security, Medicare, federal unemployment (FUTA) tax, or Railroad Retirement Tax Act (RRTA) taxes and aren't reported on Form W-2.

This section discusses the exclusion rules for the following fringe benefits.

- Accident and health benefits.
- Achievement awards.
- Adoption assistance.
- Athletic facilities.
- De minimis (minimal) benefits.
- Dependent care assistance.
- Educational assistance.
- Employee discounts.
- Employee stock options.

- Employer-provided cell phones.
- Group-term life insurance coverage.
- HSAs.
- Lodging on your business premises.
- Meals.
- No-additional-cost services.
- Retirement planning services.
- Transportation (commuting) benefits.
- Tuition reduction.
- Working condition benefits.

See [Table 2-1](#) for an overview of the employment tax treatment of these benefits.

Accident and Health Benefits

This exclusion applies to contributions you make to an accident or health plan for an employee, including the following.

- Contributions to the cost of accident or health insurance including qualified long-term care insurance.
- Contributions to a separate trust or fund that directly or through insurance provides accident or health benefits.
- Contributions to Archer MSAs or HSAs (discussed in Pub. 969).

This exclusion also applies to payments you directly or indirectly make to an employee under an accident or health plan for employees that are either of the following.

- Payments or reimbursements of medical expenses.
- Payments for specific permanent injuries (such as the loss of the use of an arm or leg). The payments must be figured without regard to the period the employee is absent from work.

Accident or health plan. This is an arrangement that provides benefits for your employees, their spouses, their dependents, and their children (under age 27 at the end of the tax year) in the event of personal injury or sickness. The plan may be insured or noninsured and doesn't need to be in writing.

Employee. For this exclusion, treat the following individuals as employees.

- A current common-law employee.
- A full-time life insurance agent who is a current statutory employee.
- A retired employee.
- A former employee you maintain coverage for based on the employment relationship.
- A widow or widower of an individual who died while an employee.
- A widow or widower of a retired employee.

Table 2-1. Special Rules for Various Types of Fringe Benefits
(For more information, see the full discussion in this section.)

Treatment Under Employment Taxes			
Type of Fringe Benefit	Income Tax Withholding	Social Security and Medicare (including Additional Medicare Tax when wages are paid in excess of \$200,000) ¹	Federal Unemployment (FUTA)
Accident and health benefits	Exempt, ² except for long-term care benefits provided through a flexible spending or similar arrangement.	Exempt, except for certain payments to S corporation employees who are 2% shareholders.	Exempt
Achievement awards	Exempt ² up to \$1,600 for qualified plan awards (\$400 for nonqualified awards).		
Adoption assistance	Exempt ^{2,3}	Taxable	Taxable
Athletic facilities	Exempt if substantially all use during the calendar year is by employees, their spouses, and their dependent children, and the facility is operated by the employer on premises owned or leased by the employer.		
De minimis (minimal) benefits	Exempt	Exempt	Exempt
Dependent care assistance	Exempt ³ up to certain limits, \$5,000 (\$2,500 for married employee filing separate return).		
Educational assistance	Exempt up to \$5,250 of benefits each year. (See Educational Assistance , later in this section.)		
Employee discounts	Exempt ³ up to certain limits. (See Employee Discounts , later in this section.)		
Employee stock options	See Employee Stock Options , later in this section.		
Employer-provided cell phones	Exempt if provided primarily for noncompensatory business purposes.		
Group-term life insurance coverage	Exempt	Exempt ^{2,4,6} up to cost of \$50,000 of coverage. (Special rules apply to former employees.)	Exempt
Health savings accounts (HSAs)	Exempt for qualified individuals up to the HSA contribution limits. (See Health Savings Accounts , later in this section.)		
Lodging on your business premises	Exempt ² if furnished on your business premises, for your convenience, and as a condition of employment.		
Meals	Exempt ² if furnished on your business premises for your convenience.		
	Exempt if de minimis.		
No-additional-cost services	Exempt ³	Exempt ³	Exempt ³
Retirement planning services	Exempt ⁵	Exempt ⁵	Exempt ⁵
Transportation (commuting) benefits	Exempt ² up to certain limits if for rides in a commuter highway vehicle and/or transit passes (\$300) or qualified parking (\$300). (See Transportation (Commuting) Benefits , later in this section.)		
	Exempt if de minimis.		
Tuition reduction	Exempt ³ if for undergraduate education (or graduate education if the employee performs teaching or research activities).		
Working condition benefits	Exempt	Exempt	Exempt

¹ Or other railroad retirement taxes, if applicable.

² Exemption doesn't apply to S corporation employees who are 2% shareholders.

³ Exemption doesn't apply to certain highly compensated employees under a program that favors those employees.

⁴ Exemption doesn't apply to certain key employees under a plan that favors those employees.

⁵ Exemption doesn't apply to services for tax preparation, accounting, legal, or brokerage services.

⁶ You must include in your employee's wages the cost of group-term life insurance beyond \$50,000 worth of coverage, reduced by the amount the employee paid toward the insurance. Report it as wages in boxes 1, 3, and 5 of the employee's Form W-2. Also, show it in box 12 with code "C." The amount is subject to social security and Medicare taxes, and you may, at your option, withhold federal income tax.

- For the exclusion of contributions to an accident or health plan, a leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.

Special rule for certain government plans. For certain government accident and health plans, payments to a deceased employee's beneficiary may qualify for the exclusion from gross income if the other requirements for exclusion are met. See section 105(j) for details.

Exception for S corporation shareholders. Don't treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder is someone who directly or indirectly owns (at any

time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

Exclusion from wages. You can generally exclude the value of accident or health benefits you provide to an employee from the employee's wages.

Exception for certain long-term care benefits. You can't exclude contributions to the cost of long-term care insurance from an employee's wages subject to federal income tax withholding if the coverage is provided through a

flexible spending or similar arrangement. This is a benefit program that reimburses specified expenses up to a maximum amount that is reasonably available to the employee and is less than five times the total cost of the insurance. However, you can exclude these contributions from the employee's wages subject to social security, Medicare, and FUTA taxes.

S corporation shareholders. Because you can't treat a 2% shareholder of an S corporation as an employee for this exclusion, you must include the value of accident or health benefits you provide to the employee in the employee's wages subject to federal income tax withholding. However, you can exclude the value of these benefits (other than payments for specific injuries or illnesses not made under a plan set up to benefit all employees or certain groups of employees) from the employee's wages subject to social security, Medicare, and FUTA taxes. See Announcement 92-16 for more information. You can find Announcement 92-16 on page 53 of Internal Revenue Bulletin 1992-5.

Exception for highly compensated employees. If your plan is a self-insured medical reimbursement plan that favors highly compensated employees, you must include all or part of the amounts you pay to these employees in box 1 of Form W-2. However, you can exclude these amounts (other than payments for specific injuries or illnesses not made under a plan set up to benefit all employees or certain groups of employees) from the employee's wages subject to income tax withholding and social security, Medicare, and FUTA taxes.

A self-insured plan is a plan that reimburses your employees for medical expenses not covered by an accident or health insurance policy.

A highly compensated employee for this exception is any of the following individuals.

- One of the five highest paid officers.
- An employee who owns (directly or indirectly) more than 10% in value of the employer's stock.
- An employee who is among the highest paid 25% of all employees (other than those who can be excluded from the plan).

For more information on this exception, see section 105(h) of the Internal Revenue Code and its regulations.

COBRA premiums. The exclusion for accident and health benefits applies to amounts you pay to maintain medical coverage for a current or former employee under the Combined Omnibus Budget Reconciliation Act of 1986 (COBRA). The exclusion applies regardless of the length of employment, whether you directly pay the premiums or reimburse the former employee for premiums paid, and whether the employee's separation is permanent or temporary.

Qualified small employer health reimbursement arrangements (QSEHRAs). QSEHRAs allow eligible small employers to pay or reimburse medical care expenses, including health insurance premiums, of eligible employees and their family members. A QSEHRA isn't a group health

plan, and, therefore, isn't subject to group health plan requirements. Generally, payments from a QSEHRA to reimburse an eligible employee's medical expenses aren't includible in the employee's gross income if the employee has coverage that provides minimum essential coverage, as defined in section 5000A(f) of the Internal Revenue Code.

A QSEHRA is an arrangement that meets all the following requirements.

1. The arrangement is funded solely by you, and no salary reduction contributions may be made under the arrangement.
2. The arrangement provides, after the eligible employee provides proof of coverage, for the payment or reimbursement of the medical expenses incurred by the employee or the employee's family members.
3. The amount of payments and reimbursements doesn't exceed \$5,850 (\$11,800, for family coverage) for 2023.
4. The arrangement is generally provided on the same terms to all your eligible employees. However, your QSEHRA may exclude employees who haven't completed 90 days of service, employees who haven't attained age 25 before the beginning of the plan year, part-time or seasonal employees, employees covered by a collective bargaining agreement if health benefits were the subject of good-faith bargaining, and employees who are nonresident aliens with no earned income from sources within the United States.

Eligible employer. To be an eligible employer, you must not be an applicable large employer, which is defined as an employer that generally employed at least 50 full-time employees, including full-time equivalent employees, in the prior calendar year. You must also not offer a group health plan (including a health reimbursement arrangement (HRA) or a health FSA) to any of your employees. For more information about the Affordable Care Act and group health plan requirements, go to [IRS.gov/ACA](https://www.irs.gov/aca). For more information about QSEHRAs, including information about the requirement to give a written notice to each eligible employee, see Notice 2017-67, 2017-47 I.R.B. 517, available at [IRS.gov/irb/2017-47_IRB#NOT-2017-67](https://www.irs.gov/irb/2017-47_IRB#NOT-2017-67).

Reporting requirements. You must report in box 12 of Form W-2 using code "FF" the amount of payments and reimbursements that your employee is entitled to receive from the QSEHRA for the calendar year without regard to the amount of payments or reimbursements actually received. For example, if your QSEHRA provides a permitted benefit of \$3,000 and your employee receives reimbursements of \$2,000, on Form W-2, you would report a permitted benefit of \$3,000 in box 12 using code "FF."

Achievement Awards

This exclusion applies to the value of any tangible personal property you give to an employee as an award for either length of service or safety achievement. The exclusion doesn't apply to awards of cash, cash equivalents,

gift cards, gift coupons, or gift certificates (other than arrangements granting only the right to select and receive tangible personal property from a limited assortment of items preselected or preapproved by you). The exclusion also doesn't apply to vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items. The award must meet the requirements for employee achievement awards discussed in chapter 2 of Pub. 535.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A former common-law employee you maintain coverage for in consideration of or based on an agreement relating to prior service as an employee.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.

Exception for S corporation shareholders. Don't treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

Exclusion from wages. You can generally exclude the value of achievement awards you give to an employee from the employee's wages if their cost isn't more than the amount you can deduct as a business expense for the year. The excludable annual amount is \$1,600 (\$400 for awards that aren't "qualified plan awards"). See chapter 2 of Pub. 535 for more information about the limit on deductions for employee achievement awards.



To determine for 2023 whether an achievement award is a "qualified plan award" under the deduction rules described in Pub. 535, treat any employee who received more than \$135,000 in pay for 2022 as a highly compensated employee.

If the cost of awards given to an employee is more than your allowable deduction, include in the employee's wages the larger of the following amounts.

- The part of the cost that is more than your allowable deduction (up to the value of the awards).
- The amount by which the value of the awards exceeds your allowable deduction.

Exclude the remaining value of the awards from the employee's wages.

Adoption Assistance

An adoption assistance program is a separate written plan of an employer that meets all of the following requirements.

1. It benefits employees who qualify under rules set up by you, which don't favor highly compensated employees or their dependents. To determine whether your plan meets this test, don't consider employees excluded from your plan who are covered by a collective bargaining agreement if there is evidence that adoption assistance was a subject of good-faith bargaining.
2. It doesn't pay more than 5% of its payments during the year for shareholders or owners (or their spouses or dependents). A shareholder or owner is someone who owns (on any day of the year) more than 5% of the stock or of the capital or profits interest of your business.
3. You give reasonable notice of the plan to eligible employees.
4. Employees provide reasonable substantiation that payments or reimbursements are for qualifying expenses.

For this exclusion, a highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

You must exclude all payments or reimbursements you make under an adoption assistance program for an employee's qualified adoption expenses from the employee's wages subject to federal income tax withholding. However, you can't exclude these payments from wages subject to social security, Medicare, and FUTA taxes.

You must report all qualifying adoption expenses you paid or reimbursed under your adoption assistance program for each employee for the year in box 12 of the employee's Form W-2. Report all amounts including those in excess of the \$15,950 exclusion for 2023. Use code "T" to identify this amount.

Exception for S corporation shareholders. For this exclusion, don't treat a 2% shareholder of an S corporation as an employee of the corporation. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a

reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

More information. For more information on adoption benefits, see Notice 97-9, which is on page 35 of Internal Revenue Bulletin 1997-2 at [IRS.gov/pub/irs-irbs/irb97-02.pdf](https://www.irs.gov/pub/irs-irbs/irb97-02.pdf). Advise your employees to see the Instructions for Form 8839.

Athletic Facilities

You can exclude the value of an employee's use of an on-premises gym or other athletic facility you operate from an employee's wages if substantially all use of the facility during the calendar year is by your employees, their spouses, and their dependent children. For this purpose, an employee's dependent child is a child or stepchild who is the employee's dependent or who, if both parents are deceased, hasn't attained the age of 25. The exclusion doesn't apply to any athletic facility if access to the facility is made available to the general public through the sale of memberships, the rental of the facility, or a similar arrangement.

On-premises facility. The athletic facility must be located on premises you own or lease and must be operated by you. It doesn't have to be located on your business premises. However, the exclusion doesn't apply to an athletic facility that is a facility for residential use, such as athletic facilities that are part of a resort.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A former employee who retired or left on disability.
- A widow or widower of an individual who died while an employee.
- A widow or widower of a former employee who retired or left on disability.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.
- A partner who performs services for a partnership.

De Minimis (Minimal) Benefits

You can exclude the value of a de minimis benefit you provide to an employee from the employee's wages. A de minimis benefit is any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable. Cash and cash equivalent fringe benefits (for example, gift certificates, gift cards, and the use of a charge card or credit card), no matter how little, are never excludable as a de minimis benefit.

However, meal money and local transportation fare, provided on an occasional basis and because of overtime work, may be excluded, as discussed later. Item 12.

Examples of de minimis benefits include the following.

- Personal use of an employer-provided cell phone provided primarily for noncompensatory business purposes. See [Employer-Provided Cell Phones](#), later in this section, for details.
- Occasional personal use of a company copying machine if you sufficiently control its use so that at least 85% of its use is for business purposes.
- Holiday or birthday gifts, other than cash, with a low fair market value. Also, flowers or fruit or similar items provided to employees under special circumstances (for example, on account of illness, a family crisis, or outstanding performance).
- Group-term life insurance payable on the death of an employee's spouse or dependent if the face amount isn't more than \$2,000.
- Certain meals. See [Meals](#), later in this section, for details.
- Occasional parties or picnics for employees and their guests.
- Occasional tickets for theater or sporting events.
- Certain transportation fare. See [Transportation \(Commuting\) Benefits](#), later in this section, for details.

Some examples of benefits that aren't excludable as de minimis fringe benefits are season tickets to sporting or theatrical events; the commuting use of an employer-provided automobile or other vehicle more than 1 day a month; membership in a private country club or athletic facility, regardless of the frequency with which the employee uses the facility; and use of employer-owned or leased facilities (such as an apartment, hunting lodge, boat, etc.) for a weekend. If a benefit provided to an employee doesn't qualify as de minimis (for example, the frequency exceeds a limit described earlier), then generally the entire benefit must be included in income.

Employee. For this exclusion, treat any recipient of a de minimis benefit as an employee.

Dependent Care Assistance

This exclusion applies to household and dependent care services you directly or indirectly pay for or provide to an employee under a written dependent care assistance program (DCAP) that covers only your employees. The services must be for a qualifying person's care and must be provided to allow the employee to work. These requirements are basically the same as the tests the employee would have to meet to claim the dependent care credit if the employee paid for the services. For more information, see *Can You Claim the Credit?* in Pub. 503.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.
- Yourself (if you're a sole proprietor).
- A partner who performs services for a partnership.

Exclusion from wages. You can exclude the value of benefits you provide to an employee under a DCAP from the employee's wages if you reasonably believe that the employee can exclude the benefits from gross income.

An employee can generally exclude from gross income up to \$5,000 (\$2,500 if married filing separately) of benefits received under a DCAP each year.

However, the exclusion can't be more than the smaller of the earned income of either the employee or employee's spouse. Special rules apply to determine the earned income of a spouse who is either a student or not able to care for themselves. For more information on the earned income limit, see Pub. 503.

Exception for highly compensated employees.

You can't exclude dependent care assistance from the wages of a highly compensated employee unless the benefits provided under the program don't favor highly compensated employees and the program meets the requirements described in section 129(d) of the Internal Revenue Code.

For this exclusion, a highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Form W-2. Report the value of all dependent care assistance you provide to an employee under a DCAP in box 10 of the employee's Form W-2. Include any amounts you can't exclude from the employee's wages in boxes 1, 3, and 5. Report in box 10 both the nontaxable portion of assistance (up to \$5,000) and any assistance above that amount that is taxable to the employee.

Example. Oak Co. provides a dependent care assistance FSA to its employees through a cafeteria plan. In addition, it provides occasional on-site dependent care to its employees at no cost. Emily, an employee of Oak Co., had \$4,500 deducted from Emily's pay for the dependent care FSA. In addition, Emily used the on-site dependent care several times. The fair market value of the on-site care was \$700. Emily's Form W-2 should report \$5,200 of dependent care assistance in box 10 (\$4,500 FSA plus

\$700 on-site dependent care). Boxes 1, 3, and 5 include \$200 (the amount in excess of the nontaxable assistance), and applicable taxes should be withheld on that amount. Item 12.

Educational Assistance

This exclusion applies to educational assistance you provide to employees under an educational assistance program. The exclusion also applies to graduate-level courses.

Educational assistance means amounts you pay or incur for your employees' education expenses. These expenses generally include the cost of books, equipment, fees, supplies, and tuition. However, these expenses don't include the cost of a course or other education involving sports, games, or hobbies, unless the education:

- Has a reasonable relationship to your business, or
- Is required as part of a degree program.

Education expenses don't include the cost of tools or supplies (other than textbooks) your employee is allowed to keep at the end of the course. Nor do they include the cost of lodging, meals, or transportation. Your employee must be able to provide substantiation to you that the educational assistance provided was used for qualifying education expenses.

Exclusion for employer payments of student loans.

Employer-provided educational assistance benefits include payments made after March 27, 2020, and before January 1, 2026, whether paid to the employee or to a lender, of principal or interest on any qualified education loan incurred by the employee for education of the employee. Qualified education loans are defined in chapter 10 of Pub. 970.

Educational assistance program. An educational assistance program is a separate written plan that provides educational assistance only to your employees. The program qualifies only if all of the following tests are met.

- The program benefits employees who qualify under rules set up by you that don't favor highly compensated employees. To determine whether your program meets this test, don't consider employees excluded from your program who are covered by a collective bargaining agreement if there is evidence that educational assistance was a subject of good-faith bargaining.
- The program doesn't provide more than 5% of its benefits during the year for shareholders or owners (or their spouses or dependents). A shareholder or owner is someone who owns (on any day of the year) more than 5% of the stock or of the capital or profits interest of your business.
- The program doesn't allow employees to choose to receive cash or other benefits that must be included in gross income instead of educational assistance.
- You give reasonable notice of the program to eligible employees.

Your program can cover former employees if their employment is the reason for the coverage.

For this exclusion, a highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A former employee who retired, left on disability, or was laid off.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.
- Yourself (if you're a sole proprietor).
- A partner who performs services for a partnership.

Exclusion from wages. You can exclude up to \$5,250 of educational assistance you provide to an employee under an educational assistance program from the employee's wages each year.

Assistance over \$5,250. If you don't have an educational assistance plan, or you provide an employee with assistance exceeding \$5,250, you must include the value of these benefits as wages, unless the benefits are working condition benefits. Working condition benefits may be excluded from wages. Property or a service provided is a working condition benefit to the extent that if the employee paid for it, the amount paid would have been allowable as a business or depreciation expense. See [Working Condition Benefits](#), later in this section.

Employee Discounts

This exclusion applies to a price reduction you give your employee on property or services you offer to customers in the ordinary course of the line of business in which the employee performs substantial services. It applies whether the property or service is provided at no charge (in which case only part of the discount may be excludable as a qualified employee discount) or at a reduced price. It also applies if the benefit is provided through a partial or total cash rebate.

The benefit may be provided either directly by you or indirectly through a third party. For example, an employee of an appliance manufacturer may receive a qualified employee discount on the manufacturer's appliances purchased at a retail store that offers the appliances for sale to customers.

Employee discounts don't apply to discounts on Item 12. property or discounts on personal property of a kind commonly held for investment (such as stocks or bonds). They also don't include discounts on a line of business of the employer for which the employee doesn't provide substantial services, or discounts on property or services of a kind that aren't offered for sale to customers. Therefore, discounts on items sold in an employee store that aren't sold to customers aren't excluded from employee income. Also, employee discounts provided by another employer through a reciprocal agreement aren't excluded.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A former employee who retired or left on disability.
- A widow or widower of an individual who died while an employee.
- A widow or widower of an employee who retired or left on disability.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.
- A partner who performs services for a partnership.

Treat discounts you provide to the spouse or dependent child of an employee as provided to the employee. For this fringe benefit, dependent child is a child or stepchild who is the employee's dependent or who, if both parents are deceased, hasn't attained the age of 25. Treat a child of divorced parents as a dependent of both parents.

Exclusion from wages. You can generally exclude the value of an employee discount you provide an employee from the employee's wages, up to the following limits.

- For a discount on services, 20% of the price you charge nonemployee customers for the service.
- For a discount on merchandise or other property, your gross profit percentage times the price you charge nonemployee customers for the property.

Generally, determine your gross profit percentage in the line of business based on all property you offer to customers (including employee customers) and your experience during the tax year immediately before the tax year in which the discount is available. To figure your gross profit percentage, subtract the total cost of the property from the total sales price of the property and divide the result by the total sales price of the property. Employers that are in their first year of existence may estimate their gross profit percentage based on its mark-up from cost or refer to an appropriate industry average. If substantial changes in an employer's business indicate at any time that it is inappropriate for the prior year's gross profit percentage to be used for the current year, the employer must, within a reasonable period, redetermine the gross profit percentage for the remaining portion of the current year as if such

portion of the year were the first year of the employer's existence.

Exception for highly compensated employees.

You can't exclude from the wages of a highly compensated employee any part of the value of a discount that isn't available on the same terms to one of the following groups.

- All of your employees.
- A group of employees defined under a reasonable classification you set up that doesn't favor highly compensated employees.

For this exclusion, a highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Employee Stock Options

There are three kinds of stock options—incentive stock options, employee stock purchase plan options, and non-statutory (nonqualified) stock options.

Wages for social security, Medicare, and FUTA taxes don't include remuneration resulting from the exercise of an incentive stock option or an employee stock purchase plan option, or from any disposition of stock acquired by exercising such an option.

Additionally, federal income tax withholding isn't required on the income resulting from a disqualifying disposition of stock acquired by the exercise of an incentive stock option or an employee stock purchase plan option, or on income equal to the discount portion of stock acquired by the exercise of an employee stock purchase plan option resulting from any qualifying disposition of the stock. The employer must report as income in box 1 of Form W-2 (a) the discount portion of stock acquired by the exercise of an employee stock purchase plan option upon a qualifying disposition of the stock, and (b) the spread (between the exercise price and the fair market value of the stock at the time of exercise) upon a disqualifying disposition of stock acquired by the exercise of an incentive stock option or an employee stock purchase plan option.

An employer must report the excess of the fair market value of stock received upon exercise of a nonstatutory stock option over the amount paid for the stock option on Form W-2 in boxes 1, 3 (up to the social security wage base), and 5, and in box 12 using the code "V." See Regulations section 1.83-7.

An employee who transfers their interest in nonstatutory stock options to the employee's former spouse incident to a divorce isn't required to include an amount in

gross income upon the transfer. The former spouse, Item 12. rather than the employee, is required to include an amount in gross income when the former spouse exercises the stock options. See Revenue Ruling 2002-22 and Revenue Ruling 2004-60 for details. You can find Revenue Ruling 2002-22 on page 849 of Internal Revenue Bulletin 2002-19 at [IRS.gov/pub/irs-irbs/irb02-19.pdf](https://www.irs.gov/pub/irs-irbs/irb02-19.pdf). Revenue Ruling 2004-60, 2004-24 I.R.B. 1051, is available at [IRS.gov/irb/2004-24_IRB#RR-2004-60](https://www.irs.gov/irb/2004-24_IRB#RR-2004-60).

Employee stock options aren't subject to Railroad Retirement Tax.

In *Wisconsin Central Ltd. v. United States*, 138 S. Ct. 2067, the U. S. Supreme Court ruled that employee stock options (whether statutory or nonstatutory) aren't "money remuneration" subject to the Railroad Retirement Tax Act (RRTA). If you're a railroad employer, don't withhold Tier 1 and Tier 2 taxes on compensation from railroad employees covered by the RRTA exercising such options. You must still withhold federal income tax on taxable compensation from railroad employees exercising their options.

Section 83(i) election to defer income on equity grants.

Under section 83(i) of the Internal Revenue Code, qualified employees who are granted stock options or restricted stock units (RSUs) and who later receive stock upon exercise of the option or upon settlement of the RSU (qualified stock) may elect to defer the recognition of income for up to 5 years if the corporation's stock wasn't readily tradable on an established securities market during any prior calendar year, if the corporation has a written plan under which not less than 80% of all U.S. employees are granted options or RSUs with the same rights and privileges to receive qualified stock, and if certain other requirements are met. An election under section 83(i) applies only for federal income tax purposes. The election has no effect on the application of social security, Medicare, and unemployment taxes. For federal income tax purposes, the employer must withhold federal income tax at 37% in the tax year that the amount deferred is included in the employee's income. If a section 83(i) election is made for an option exercise, that option will not be considered an incentive stock option or an option granted pursuant to an employee stock purchase plan. These rules apply to stock attributable to options exercised, or RSUs settled, after December 31, 2017. For more information, see section 83(i) and Notice 2018-97, 2018-52 I.R.B. 1062, available at [IRS.gov/irb/2018-52_IRB#NOT-2018-97](https://www.irs.gov/irb/2018-52_IRB#NOT-2018-97).

Reporting requirements. For each employee, you must report in box 12 of Form W-2 using code "GG" the amount included in income in the calendar year from qualified equity grants under section 83(i). You must also report in box 12 using code "HH" the total amount of income deferred under section 83(i) determined as of the close of the calendar year.

More information. For more information about employee stock options, see sections 83, 421, 422, and 423 of the Internal Revenue Code and their related regulations.

Employer-Provided Cell Phones

The value of the business use of an employer-provided cell phone, provided primarily for noncompensatory business reasons, is excludable from an employee's income as a working condition fringe benefit. Personal use of an employer-provided cell phone, provided primarily for noncompensatory business reasons, is excludable from an employee's income as a de minimis fringe benefit. The term "cell phone" also includes other similar telecommunications equipment. For the rules relating to these types of benefits, see [De Minimis \(Minimal\) Benefits](#), earlier in this section, and [Working Condition Benefits](#), later in this section.

Noncompensatory business purposes. You provide a cell phone primarily for noncompensatory business purposes if there are substantial business reasons for providing the cell phone. Examples of substantial business reasons include the employer's:

- Need to contact the employee at all times for work-related emergencies,
- Requirement that the employee be available to speak with clients at times when the employee is away from the office, and
- Need to speak with clients located in other time zones at times outside the employee's normal workday.

Cell phones provided to promote goodwill, boost morale, or attract prospective employees. You can't exclude from an employee's wages the value of a cell phone provided to promote goodwill of an employee, to attract a prospective employee, or as a means of providing additional compensation to an employee.

Additional information. For additional information on the tax treatment of employer-provided cell phones, see Notice 2011-72, 2011-38 I.R.B. 407, available at [IRS.gov/irb/2011-38_IRB#NOT-2011-72](https://www.irs.gov/irb/2011-38_IRB#NOT-2011-72).

Group-Term Life Insurance Coverage

This exclusion applies to life insurance coverage that meets all the following conditions.

- It provides a general death benefit that isn't included in income.
- You provide it to a group of employees. See [The 10-employee rule](#), later.
- It provides an amount of insurance to each employee based on a formula that prevents individual selection. This formula must use factors such as the employee's age, years of service, pay, or position.
- You provide it under a policy you directly or indirectly carry. Even if you don't pay any of the policy's cost, you're considered to carry it if you arrange for payment of its cost by your employees and charge at least one employee less than, and at least one other

employee more than, the cost of their insurance. Item 12. terminate the cost of the insurance, for this purpose, as explained under [Coverage over the limit](#), later.

Group-term life insurance doesn't include the following insurance.

- Insurance that doesn't provide general death benefits, such as travel insurance or a policy providing only accidental death benefits.
- Life insurance on the life of your employee's spouse or dependent. However, you may be able to exclude the cost of this insurance from the employee's wages as a de minimis benefit. See [De Minimis \(Minimal\) Benefits](#), earlier in this section.
- Insurance provided under a policy that provides a permanent benefit (an economic value that extends beyond 1 policy year, such as paid-up or cash-surrender value), unless certain requirements are met. See Regulations section 1.79-1 for details.

Employee. For this exclusion, treat the following individuals as employees.

1. A current common-law employee.
2. A full-time life insurance agent who is a current statutory employee.
3. An individual who was formerly your employee under (1) or (2).
4. A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction and control.

Exception for S corporation shareholders. Don't treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

The 10-employee rule. Generally, life insurance isn't group-term life insurance unless you provide it at some time during the calendar year to at least 10 full-time employees.

For this rule and the first exception discussed next, count employees who choose not to receive the insurance as if they do receive insurance, unless, to receive it, they must contribute to the cost of benefits other than the group-term life insurance. For example, count an employee who could receive insurance by paying part of the cost, even if that employee chooses not to receive it. However, don't count an employee who chooses not to receive insurance if the employee must pay part or all of the cost of permanent benefits in order to obtain group-term life insurance. A permanent benefit is an economic value extending beyond 1 policy year (for example, a paid-up or

cash-surrender value) that is provided under a life insurance policy.

Exceptions. Even if you don't meet the 10-employee rule, two exceptions allow you to treat insurance as group-term life insurance.

Under the first exception, you don't have to meet the 10-employee rule if all the following conditions are met.

1. If evidence that the employee is insurable is required, it is limited to a medical questionnaire (completed by the employee) that doesn't require a physical.
2. You provide the insurance to all your full-time employees or, if the insurer requires the evidence mentioned in (1), to all full-time employees who provide evidence the insurer accepts.
3. You figure the coverage based on either a uniform percentage of pay or the insurer's coverage brackets that meet certain requirements. See Regulations section 1.79-1 for details.

Under the second exception, you don't have to meet the 10-employee rule if all the following conditions are met.

- You provide the insurance under a common plan covering your employees and the employees of at least one other employer who isn't related to you.
- The insurance is restricted to, but mandatory for, all your employees who belong to, or are represented by, an organization (such as a union) that carries on substantial activities besides obtaining insurance.
- Evidence of whether an employee is insurable doesn't affect an employee's eligibility for insurance or the amount of insurance that employee gets.

To apply either exception, don't consider employees who were denied insurance for any of the following reasons.

- They were 65 or older.
- They customarily work 20 hours or less a week or 5 months or less in a calendar year.
- They haven't been employed for the waiting period given in the policy. This waiting period can't be more than 6 months.

Exclusion from wages. You can generally exclude the cost of up to \$50,000 of group-term life insurance coverage from the wages of an insured employee. You can exclude the same amount from the employee's wages when figuring social security and Medicare taxes. In addition, you don't have to withhold federal income tax or pay FUTA tax on any group-term life insurance you provide to an employee.

Coverage over the limit. You must include in your employee's wages the cost of group-term life insurance beyond \$50,000 worth of coverage, reduced by the amount the employee paid toward the insurance. Report it as wages in boxes 1, 3, and 5 of the employee's Form W-2. Also, show it in box 12 with code "C." The amount is

subject to social security and Medicare taxes, and, if you choose, may, at your option, withhold federal income tax. Item 12.

Figure the monthly cost of the insurance to include in the employee's wages by multiplying the number of thousands of dollars of all insurance coverage over \$50,000 (figured to the nearest \$100) by the cost shown in Table 2-2. For all coverage provided within the calendar year, use the employee's age on the last day of the employee's tax year. You must prorate the cost from the table if less than a full month of coverage is involved.

Table 2-2. Cost Per \$1,000 of Protection for 1 Month

Age	Cost
Under 25	\$ 0.05
25 through 29	0.06
30 through 34	0.08
35 through 39	0.09
40 through 44	0.10
45 through 49	0.15
50 through 54	0.23
55 through 59	0.43
60 through 64	0.66
65 through 69	1.27
70 and older	2.06

You figure the total cost to include in the employee's wages by multiplying the monthly cost by the number of months' coverage at that cost.

Example. Tom's employer provides Tom with group-term life insurance coverage of \$200,000. Tom is 45 years old, isn't a key employee, and pays \$100 per year toward the cost of the insurance. Tom's employer must include \$170 in Tom's wages. The \$200,000 of insurance coverage is reduced by \$50,000. The yearly cost of \$150,000 of coverage is \$270 ($\$0.15 \times 150 \times 12$), and is reduced by the \$100 Tom pays for the insurance. The employer includes \$170 in boxes 1, 3, and 5 of Tom's Form W-2. The employer also enters \$170 in box 12 with code "C."

Coverage for dependents. Group-term life insurance coverage paid by the employer for the spouse or dependents of an employee may be excludable from income as a de minimis fringe benefit if the face amount isn't more than \$2,000. If the face amount is greater than \$2,000, the dependent coverage may be excludable from income as a de minimis fringe benefit if the excess (if any) of the cost of insurance over the amount the employee paid for it on an after-tax basis is so small that accounting for it is unreasonable or administratively impracticable.

Former employees. When group-term life insurance over \$50,000 is provided to an employee (including retirees) after their termination, the employee share of social security and Medicare taxes on that period of coverage is paid by the former employee with their tax return and isn't collected by the employer. You're not required to collect those taxes. You must, however, pay the employer share of social security and Medicare taxes. Use the Table 2-2, earlier, to determine the amount of additional income that is subject to social security and Medicare taxes for

coverage provided after separation from service. Report the uncollected amounts separately in box 12 of Form W-2 using codes "M" and "N." See the General Instructions for Forms W-2 and W-3 and the instructions for your employment tax return.

Exception for key employees. Generally, if your group-term life insurance plan favors key employees as to participation or benefits, you must include the entire cost of the insurance in your key employees' wages. This exception generally doesn't apply to church plans. When figuring social security and Medicare taxes, you must also include the entire cost in the employees' wages. Include the cost in boxes 1, 3, and 5 of Form W-2. However, you don't have to withhold federal income tax or pay FUTA tax on the cost of any group-term life insurance you provide to an employee.

For this purpose, the cost of the insurance is the greater of the following amounts.

- The premiums you pay for the employee's insurance. See Regulations section 1.79-4T(Q&A 6) for more information.
- The cost you figure using Table 2-2.

For this exclusion, a key employee during 2023 is an employee or former employee who is one of the following individuals. See section 416(i) of the Internal Revenue Code for more information.

1. An officer having annual pay of more than \$215,000.
2. An individual who for 2023 is either of the following.
 - a. A 5% owner of your business.
 - b. A 1% owner of your business whose annual pay is more than \$150,000.

A former employee who was a key employee upon retirement or separation from service is also a key employee.

Your plan doesn't favor key employees as to participation if at least one of the following is true.

- It benefits at least 70% of your employees.
- At least 85% of the participating employees aren't key employees.
- It benefits employees who qualify under a set of rules you set up that don't favor key employees.

Your plan meets this participation test if it is part of a [cafeteria plan](#) (discussed earlier in section 1) and it meets the participation test for those plans.

When applying this test, don't consider employees who:

- Have not completed 3 years of service;
- Are part time or seasonal;
- Are nonresident aliens who receive no U.S. source earned income from you; or
- Aren't included in the plan but are in a unit of employees covered by a collective bargaining agreement, if the benefits provided under the plan were the subject

of good-faith bargaining between you and employee representatives. Item 12.

Your plan doesn't favor key employees as to benefits if all benefits available to participating key employees are also available to all other participating employees. Your plan doesn't favor key employees just because the amount of insurance you provide to your employees is uniformly related to their pay.

S corporation shareholders. Because you can't treat a 2% shareholder of an S corporation as an employee for this exclusion, you must include the cost of all group-term life insurance coverage you provide the 2% shareholder in their wages. When figuring social security and Medicare taxes, you must also include the cost of this coverage in the 2% shareholder's wages. Include the cost in boxes 1, 3, and 5 of Form W-2. However, you don't have to withhold federal income tax or pay FUTA tax on the cost of any group-term life insurance coverage you provide to the 2% shareholder.

Health Savings Accounts

A health savings account (HSA) is an account owned by a qualified individual who is generally your employee or former employee. Any contributions that you make to an HSA become the employee's property and can't be withdrawn by you. Contributions to the account are used to pay current or future medical expenses of the account owner, their spouse, and any qualified dependent. The medical expenses must not be reimbursable by insurance or other sources and their payment from HSA funds (distribution) won't give rise to a medical expense deduction on the individual's federal income tax return.

Eligibility. A qualified individual must be covered by a High Deductible Health Plan (HDHP) and not be covered by other health insurance except for permitted insurance listed under section 223(c)(3) or insurance for accidents, disability, dental care, vision care, long-term care, or (in the case of months beginning after March 31, 2022, and before January 1, 2023, and plan years beginning on or before December 31, 2021, or after December 31, 2022, and before January 1, 2025) telehealth and other remote care. For calendar year 2023, a qualifying HDHP must have a deductible of at least \$1,500 for self-only coverage or \$3,000 for family coverage and must limit annual out-of-pocket expenses of the beneficiary to \$7,500 for self-only coverage and \$15,000 for family coverage.

There are no income limits that restrict an individual's eligibility to contribute to an HSA nor is there a requirement that the account owner have earned income to make a contribution.

Exceptions. An individual isn't a qualified individual if he or she can be claimed as a dependent on another person's tax return. Also, an employee's participation in a health FSA or health reimbursement arrangement (HRA) generally disqualifies the individual (and employer) from making contributions to their HSA. However, an individual may qualify to participate in an HSA if he or she is participating in only a limited-purpose FSA or HRA or a

post-deductible FSA. For more information, see *Other employee health plans* in Pub. 969.

Employer contributions. Up to specified dollar limits, cash contributions to the HSA of a qualified individual (determined monthly) are exempt from federal income tax withholding, social security tax, Medicare tax, and FUTA tax if you reasonably believe that the employee can exclude the benefits from gross income. For 2023, you can contribute up to \$3,850 for self-only coverage under an HDHP or \$7,750 for family coverage under an HDHP to a qualified individual's HSA.

The contribution amounts listed above are increased by \$1,000 for a qualified individual who is age 55 or older at any time during the year. For two qualified individuals who are married to each other and who are each age 55 or older at any time during the year, each spouse's contribution limit is increased by \$1,000, provided each spouse has a separate HSA. No contributions can be made to an individual's HSA after he or she becomes enrolled in Medicare Part A or Part B.

Nondiscrimination rules. Your contribution amount to an employee's HSA must be comparable for all employees who have comparable coverage during the same period. Otherwise, there will be an excise tax equal to 35% of the amount you contributed to all employees' HSAs.

For guidance on employer comparable contributions to HSAs under section 4980G in instances where an employee hasn't established an HSA by December 31 and in instances where an employer accelerates contributions for the calendar year for employees who have incurred qualified medical expenses, see Regulations section 54.4980G-4.

Exception. The Tax Relief and Health Care Act of 2006 allows employers to make larger HSA contributions for a nonhighly compensated employee than for a highly compensated employee. A highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Partnerships and S corporations. Partners and 2% shareholders of an S corporation aren't eligible for salary reduction (pre-tax) contributions to an HSA. Employer contributions to the HSA of a bona fide partner or 2% shareholder are treated as distributions or guaranteed payments, as determined by the facts and circumstances. For more information, see Notice 2005-8, 2005-4 I.R.B. 368, available at [IRS.gov/irb/2005-04_IRB#NOT-2005-8](https://www.irs.gov/irb/2005-04_IRB#NOT-2005-8).

Cafeteria plans. You may contribute to an employee's HSA using a cafeteria plan and your contributions aren't subject to the statutory comparability rules. However, caf-

eteria plan nondiscrimination rules still apply. For Item 12. ple, contributions under a cafeteria plan to employee HSAs can't be greater for higher-paid employees than they are for lower-paid employees. Contributions that favor lower-paid employees aren't prohibited.

Reporting requirements. You must report your contributions to an employee's HSA in box 12 of Form W-2 using code "W." The trustee or custodian of the HSA, generally a bank or insurance company, reports distributions from the HSA using Form 1099-SA.

More information. For more information about HSAs, see Pub. 969.

Lodging on Your Business Premises

You can exclude the value of lodging you furnish to an employee from the employee's wages if it meets the following tests.

- It is furnished on your business premises.
- It is furnished for your convenience.
- The employee must accept it as a condition of employment.

Different tests may apply to lodging furnished by educational institutions. See section 119(d) of the Internal Revenue Code for details.

If you allow your employee to choose to receive additional pay instead of lodging, then the lodging, if chosen, isn't excluded. The exclusion also doesn't apply to cash allowances for lodging.

On your business premises. For this exclusion, your business premises is generally your employee's place of work. For example, if you're a household employer, then lodging furnished in your home to a household employee would be considered lodging furnished on your business premises. For special rules that apply to lodging furnished in a camp located in a foreign country, see section 119(c) of the Internal Revenue Code and its regulations.

For your convenience. Whether or not you furnish lodging for your convenience as an employer depends on all the facts and circumstances. You furnish the lodging to your employee for your convenience if you do this for a substantial business reason other than to provide the employee with additional pay. This is true even if a law or an employment contract provides that the lodging is furnished as pay. However, a written statement that the lodging is furnished for your convenience isn't sufficient.

Condition of employment. Lodging meets this test if you require your employees to accept the lodging because they need to live on your business premises to be able to properly perform their duties. Examples include employees who must be available at all times and employees who couldn't perform their required duties without being furnished the lodging.

It doesn't matter whether you must furnish the lodging as pay under the terms of an employment contract or a law fixing the terms of employment.

Example of qualifying lodging. You employ Sam at a construction project at a remote job site in Alaska. Due to the inaccessibility of facilities for the employees who are working at the job site to obtain lodging and the prevailing weather conditions, you furnish lodging to your employees at the construction site in order to carry on the construction project. You require that your employees accept the lodging as a condition of their employment. You may exclude the lodging that you provide from Sam's wages. Additionally, since sufficient eating facilities aren't available near your place of employment, you may also exclude meals you provide to Sam from Sam's wages, as discussed in [Proper meals not otherwise available](#) under *Meals on Your Business Premises*, later in this section.

Example of nonqualifying lodging. A hospital gives Joan, an employee of the hospital, the choice of living at the hospital free of charge or living elsewhere and receiving a cash allowance in addition to Joan's regular salary. If Joan chooses to live at the hospital, the hospital can't exclude the value of the lodging from Joan's wages because Joan isn't required to live at the hospital to properly perform the duties of Joan's employment.

S corporation shareholders. For this exclusion, don't treat a 2% shareholder of an S corporation as an employee of the corporation. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

Meals

This section discusses the exclusion rules that apply to de minimis meals and meals on your business premises.

De Minimis Meals

You can exclude any occasional meal you provide to an employee if it has so little value (taking into account how frequently you provide meals to your employees) that accounting for it would be unreasonable or administratively impracticable. The exclusion applies, for example, to the following items.

- Coffee, doughnuts, or soft drinks.
- Occasional meals or meal money provided to enable an employee to work overtime. However, the exclusion doesn't apply to meal money figured on the basis of hours worked (for example, \$2.00 per hour for each hour over 8 hours), or meals or meal money provided on a regular or routine basis.

- Occasional parties or picnics for employees and guests. Item 12.

Employee. For this exclusion, treat any recipient of a de minimis meal as an employee.

Employer-operated eating facility for employees.

The de minimis meals exclusion also applies to meals you provide at an employer-operated eating facility for employees if the annual revenue from the facility equals or exceeds the direct operating costs of the facility. Direct operating costs include the cost of food, beverages, and labor costs (including employment taxes) of employees whose services relating to the facility are performed primarily on the premises of the eating facility. Therefore, for example, the labor costs attributable to cooks and wait-staff are included in direct operating costs, but the labor cost attributable to a manager of an eating facility whose services aren't primarily performed on the premises of the eating facility aren't included in direct operating costs.

For this purpose, your revenue from providing a meal is considered equal to the facility's direct operating costs to provide that meal if its value can be excluded from an employee's wages, as explained under [Meals on Your Business Premises](#), later. If you provide free or discounted meals to volunteers at a hospital and you can reasonably determine the number of meals you provide, then you may disregard these costs and revenues. If you charge non-employees a greater amount than employees, then you must disregard all costs and revenues attributable to these nonemployees.

An employer-operated eating facility for employees is an eating facility that meets all the following conditions.

- You own or lease the facility.
- You operate the facility. You're considered to operate the eating facility if you have a contract with another to operate it.
- The facility is on or near your business premises.
- You provide meals (food, drinks, and related services) at the facility during, or immediately before or after, the employee's workday.

Exclusion from wages. You can generally exclude the value of de minimis meals you provide to an employee from the employee's wages.

Exception for highly compensated employees.

You can't exclude from the wages of a highly compensated employee the value of a meal provided at an employer-operated eating facility that isn't available on the same terms to one of the following groups.

- All of your employees.
- A group of employees defined under a reasonable classification you set up that doesn't favor highly compensated employees.

For this exclusion, a highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.



Section 13304 of P.L. 115-97 changed the rules for the deduction of food or beverage expenses that are excludable from employee income as a de minimis fringe benefit. For amounts incurred or paid after 2017, the 50% limit on deductions for food or beverage expenses also applies to food or beverage expenses excludable from employee income as a de minimis fringe benefit. However, food or beverage expenses related to employee recreation, such as holiday parties or annual picnics, aren't subject to the 50% limit on deductions when made primarily for the benefit of your employees other than employees who are officers, shareholders or other owners who own a 10% or greater interest in your business, or other highly compensated employees. For more information, see chapter 2 of Pub. 535 and Regulations section 1.274-12. While your business deduction may be limited, the fringe benefit exclusion rules still apply and the de minimis fringe benefits may be excluded from your employee's wages, as discussed earlier.

Meals on Your Business Premises

You can exclude the value of meals you furnish to an employee from the employee's wages if they meet the following tests.

- They are furnished on your business premises.
- They are furnished for your convenience.

If you allow your employee to choose to receive additional pay instead of meals, then the meals, if chosen, aren't excluded. The exclusion also doesn't apply to cash allowances for meals.

On your business premises. Generally, for this exclusion, the employee's place of work is your business premises.

For your convenience. Whether you furnish meals for your convenience as an employer depends on all the facts and circumstances. You furnish the meals to your employee for your convenience if you do this for a substantial business reason other than to provide the employee with additional pay. This is true even if a law or an employment contract provides that the meals are furnished as pay. However, a written statement that the meals are furnished for your convenience isn't sufficient.

Meals excluded for all employees if excluded for more than half. If more than half of your employees who are furnished meals on your business premises are furnished the meals for your convenience, you can treat all meals you furnish to employees on your business premises as furnished for your convenience.

Food service employees. Meals you furnish to a restaurant or other food service employee during, or immediately before or after, the employee's working hours are furnished for your convenience. For example, if a wait-staff works during the breakfast and lunch periods, you can exclude from their wages the value of the breakfast and lunch you furnish in your restaurant for each day they work.

Example. You operate a restaurant business. You furnish your employee, Carol, who is a waitstaff working 7 a.m. to 4 p.m., two meals during each workday. You encourage but don't require Carol to have breakfast on the business premises before starting work. Carol must have lunch on the premises. Since Carol is a food service employee and works during the normal breakfast and lunch periods, you can exclude from Carol's wages the value of Carol's breakfast and lunch.

If you also allow Carol to have meals on your business premises without charge on Carol's days off, you can't exclude the value of those meals from Carol's wages.

Employees available for emergency calls. Meals you furnish during working hours so an employee will be available for emergency calls during the meal period are furnished for your convenience. You must be able to show these emergency calls have occurred or can reasonably be expected to occur, and that the calls have resulted, or will result, in you calling on your employees to perform their jobs during their meal period.

Example. A hospital maintains a cafeteria on its premises where all of its 230 employees may get meals at no charge during their working hours. The hospital must have 120 of its employees available for emergencies. Each of these 120 employees is, at times, called upon to perform services during the meal period. Although the hospital doesn't require these employees to remain on the premises, they rarely leave the hospital during their meal period. Since the hospital furnishes meals on its premises to its employees so that more than half of them are available for emergency calls during meal periods, the hospital can exclude the value of these meals from the wages of all of its employees.

Short meal periods. Meals you furnish during working hours are furnished for your convenience if the nature of your business (not merely a preference) restricts an employee to a short meal period (such as 30 or 45 minutes) and the employee can't be expected to eat elsewhere in such a short time. For example, meals can qualify for this treatment if your peak workload occurs during the normal lunch hour. However, they don't qualify if the reason for the short meal period is to allow the employee to leave earlier in the day.

Example. Frank is a bank teller who works from 9 a.m. to 5 p.m. The bank furnishes Frank's lunch without charge in a cafeteria the bank maintains on its premises. The bank furnishes these meals to Frank to limit Frank's lunch period to 30 minutes, because the bank's peak workload occurs during the normal lunch period. If Frank got lunch elsewhere, it would take Frank much longer than

30 minutes and the bank strictly enforces the time limit. The bank can exclude the value of these meals from Frank's wages.

Proper meals not otherwise available. Meals you furnish during working hours are furnished for your convenience if the employee couldn't otherwise get proper meals within a reasonable period of time. For example, meals can qualify for this treatment if there are insufficient eating facilities near the place of employment. For an example of this, see [Example of qualifying lodging](#), earlier in this section.

Meals after work hours. Generally, meals furnished before or after the working hours of an employee aren't considered as furnished for your convenience. However, meals you furnish to an employee immediately after working hours are furnished for your convenience if you would have furnished them during working hours for a substantial nonpay business reason but, because of the work duties, they weren't obtained during working hours.

Meals you furnish to promote goodwill, boost morale, or attract prospective employees. Meals you furnish to promote goodwill, boost morale, or attract prospective employees aren't considered furnished for your convenience. However, you may be able to exclude their value, as discussed under [De Minimis Meals](#), earlier.

Meals furnished on nonworkdays or with lodging. You generally can't exclude from an employee's wages the value of meals you furnish on a day when the employee isn't working. However, you can exclude these meals if they are furnished with lodging that is excluded from the employee's wages. See [Lodging on Your Business Premises](#), earlier in this section.

Meals with a charge. The fact that you charge for the meals and that your employees may accept or decline the meals isn't taken into account in determining whether or not meals are furnished for your convenience.

S corporation shareholders. For this exclusion, don't treat a 2% shareholder of an S corporation as an employee of the corporation. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

No-Additional-Cost Services

This exclusion applies to a service you provide to an employee if it doesn't cause you to incur any substantial additional costs. The service must be offered to customers in the ordinary course of the line of business in which the employee performs substantial services.

No-additional-cost services are excess capacity services, such as airline, bus, or train tickets; hotel rooms; or telephone services provided free, at a reduced price, or

through a cash rebate to employees working in those Item 12.
of business. Services that aren't eligible for treatment as no-additional-cost services are non-excess capacity services, such as the facilitation by a stock brokerage firm of the purchase of stock by employees. These services may, however, be eligible for a qualified employee discount of up to 20% of the value of the service provided. See [Employee Discounts](#), earlier.

Substantial additional costs. To determine whether you incur substantial additional costs to provide a service to an employee, count any lost revenue as a cost. Don't reduce the costs you incur by any amount the employee pays for the service. You're considered to incur substantial additional costs if you or your employees spend a substantial amount of time in providing the service, even if the time spent would otherwise be idle or if the services are provided outside normal business hours.

Example. A commercial airline allows its employees to take personal flights on the airline at no charge and receive reserved seating. Because the employer gives up potential revenue by allowing the employees to reserve seats, employees receiving such free flights aren't eligible for the no-additional-cost exclusion.

Reciprocal agreements. A no-additional-cost service provided to your employee by an unrelated employer may qualify as a no-additional-cost service if all the following tests are met.

- The service is the same type of service generally provided to customers in both the line of business in which the employee works and the line of business in which the service is provided.
- You and the employer providing the service have a written reciprocal agreement under which a group of employees of each employer, all of whom perform substantial services in the same line of business, may receive no-additional-cost services from the other employer.
- Neither you nor the other employer incurs any substantial additional cost (including lost revenue) either in providing the service or because of the written agreement.

Employee. For this exclusion, treat the following individuals as employees.

1. A current employee.
2. A former employee who retired or left on disability.
3. A widow or widower of an individual who died while an employee.
4. A widow or widower of a former employee who retired or left on disability.
5. A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.
6. A partner who performs services for a partnership.

Treat services you provide to the spouse or dependent child of an employee as provided to the employee. For this fringe benefit, dependent child is a child or stepchild who is the employee's dependent or who, if both parents are deceased, hasn't attained the age of 25. Treat a child of divorced parents as a dependent of both parents.

Treat any use of air transportation by the parent of an employee as use by the employee. This rule doesn't apply to use by the parent of a person considered an employee because of item (3) or (4) above.

Exclusion from wages. You can generally exclude the value of a no-additional-cost service you provide to an employee from the employee's wages.

Exception for highly compensated employees.

You can't exclude from the wages of a highly compensated employee the value of a no-additional-cost service that isn't available on the same terms to one of the following groups.

- All of your employees.
- A group of employees defined under a reasonable classification you set up that doesn't favor highly compensated employees.

For this exclusion, a highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Retirement Planning Services

You may exclude from an employee's wages the value of any retirement planning advice or information you provide to your employee or their spouse if you maintain a qualified retirement plan. A qualified retirement plan includes a plan, contract, pension, or account described in section 219(g)(5) of the Internal Revenue Code. In addition to employer plan advice and information, the services provided may include general advice and information on retirement. However, the exclusion doesn't apply to services for tax preparation, accounting, legal, or brokerage services. You can't exclude from the wages of a highly compensated employee retirement planning services that aren't available on the same terms to each member of a group of employees normally provided education and information about the employer's qualified retirement plan.

Transportation (Commuting) Benefits

This section discusses exclusion rules that apply to benefits you provide to your employees for their personal transportation, such as commuting to and from work. These rules apply to the following transportation benefits.

- De minimis transportation benefits.
- Qualified transportation benefits.

Special rules that apply to [demonstrator cars](#) and [qualified nonpersonal use vehicles](#) are discussed under *Working Condition Benefits*, later in this section.

De Minimis Transportation Benefits

You can exclude the value of any de minimis transportation benefit you provide to an employee from the employee's wages. A de minimis transportation benefit is any local transportation benefit you provide to an employee if it has so little value (taking into account how frequently you provide transportation to your employees) that accounting for it would be unreasonable or administratively impracticable. For example, it applies to occasional local transportation fare you give an employee because the employee is working overtime if the benefit is reasonable and isn't based on hours worked. Local transportation fare provided on a regular or routine basis doesn't qualify for this exclusion.

A special rule allows you to exclude as a de minimis benefit public transit passes, tokens, or fare cards you provide at a discount to defray your employee's commuting costs on the public transit system if the discount doesn't exceed \$21 in any month. Similarly, you may also provide a voucher or similar instrument that is exchangeable solely for tokens, fare cards, or other instruments that enable your employee to use the public transit system if the value of the vouchers and other instruments in any month doesn't exceed \$21. You may also reimburse your employee to cover the cost of commuting on a public transit system, provided your employee doesn't receive more than \$21 in reimbursements for commuting costs in any month. The reimbursement must be made under a bona fide reimbursement arrangement, where you establish appropriate procedures for verifying on a periodic basis that your employee's use of public transportation for commuting is consistent with the value of the benefit provided. The exclusion doesn't apply to the provision of any benefit to defray public transit expenses incurred for personal travel other than commuting.

Employee. For this exclusion, treat any recipient of a de minimis transportation benefit as an employee.

Qualified Transportation Benefits

This exclusion applies to the following benefits.

- A ride in a commuter highway vehicle between the employee's home and work place.
- A transit pass.

- Qualified parking.

You may provide an employee with any one or more of these benefits at the same time.

Qualified transportation benefits can be provided directly by you or through a bona fide reimbursement arrangement. A bona fide reimbursement arrangement requires that the employee incur and substantiate expenses for qualified transportation benefits before reimbursement. However, cash reimbursements for transit passes qualify only if a voucher or a similar item that the employee can exchange only for a transit pass isn't readily available for direct distribution by you to your employee. A voucher is readily available for direct distribution only if an employer can obtain it from a voucher provider that doesn't impose fare media charges or other restrictions that effectively prevent the employer from obtaining vouchers. See Regulations section 1.132-9(b)(Q&A 16–19) for more information.

Compensation reduction agreements. A compensation reduction agreement is a way to provide qualified transportation benefits on a pre-tax basis by offering your employees a choice between cash compensation and any qualified transportation benefit. A compensation reduction arrangement can be used with a bona fide reimbursement arrangement. For each month, the amount of the compensation reduction can't exceed the monthly limits for transportation benefits described in [Exclusion from wages](#), later. For more information about providing qualified transportation fringe benefits under a compensation reduction agreement, see Regulations section 1.132-9(b)(Q&A 11–15).

Commuter highway vehicle. A commuter highway vehicle is any highway vehicle that seats at least 6 adults (not including the driver). In addition, you must reasonably expect that at least 80% of the vehicle mileage will be for transporting employees between their homes and workplace with employees occupying at least one-half the vehicle's seats (not including the driver's).

Transit pass. A transit pass is any pass, token, farecard, voucher, or similar item entitling a person to ride, free of charge or at a reduced rate, on one of the following.

- Mass transit.
- In a vehicle that seats at least 6 adults (not including the driver) if a person in the business of transporting persons for pay or hire operates it.

Mass transit may be publicly or privately operated and includes bus, rail, or ferry. For guidance on the use of smart cards and debit cards to provide qualified transportation fringes, see Revenue Ruling 2014-32, 2014-50 I.R.B. 917, available at [IRS.gov/irb/2014-50_IRB#RR-2014-32](https://www.irs.gov/irb/2014-50_IRB#RR-2014-32).

Qualified parking. Qualified parking is parking you provide to your employees on or near your business premises. It includes parking on or near the location from which your employees commute to work using mass transit,

commuter highway vehicles, or carpools. It does Item 12. include parking at or near your employee's home.



Qualified bicycle commuting reimbursement suspended. Section 11047 of P.L. 115-97 suspends the exclusion of qualified bicycle commuting reimbursements from your employee's income for any tax year beginning after 2017 and before 2026.

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A leased employee who has provided services to you on a substantially full-time basis for at least a year if the services are performed under your primary direction or control.

A self-employed individual isn't an employee for qualified transportation benefit purposes.

Exception for S corporation shareholders. Don't treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but don't treat the benefit as a reduction in distributions to the 2% shareholder. For more information, see Revenue Ruling 91-26, 1991-1 C.B. 184.

Relation to other fringe benefits. You can't exclude a qualified transportation benefit you provide to an employee under the de minimis or working condition benefit rules. However, if you provide a local transportation benefit other than by transit pass or commuter highway vehicle, or to a person other than an employee, you may be able to exclude all or part of the benefit under other fringe benefit rules (de minimis, working condition, etc.).

Exclusion from wages. You can generally exclude the value of transportation benefits that you provide to an employee during 2023 from the employee's wages up to the following limits.

- \$300 per month for combined commuter highway vehicle transportation and transit passes.
- \$300 per month for qualified parking.

Benefits more than the limit. If the value of a benefit for any month is more than its limit, include in the employee's wages the amount over the limit minus any amount the employee paid for the benefit. You can't exclude the excess from the employee's wages as a de minimis transportation benefit.



Qualified transportation benefits aren't deductible. Sections 274(a)(4) and 274(l) provide that no deduction is allowed for qualified transportation benefits (whether provided directly by you, through a bona fide reimbursement arrangement, or through a compensation reduction agreement) incurred or paid after

2017. Also, no deduction is allowed for any expense incurred for providing any transportation, or any payment or reimbursement to your employee, in connection with travel between your employee's residence and place of employment, except as necessary for ensuring the safety of your employee or for qualified bicycle commuting reimbursements, as described in section 132(f)(5)(F) (even though the exclusion for qualified bicycle commuting reimbursements is suspended, as discussed earlier). While you may no longer deduct payments for qualified transportation benefits, the fringe benefit exclusion rules still apply and the payments may be excluded from your employee's wages, as discussed earlier. Although the value of a qualified transportation fringe benefit is relevant in determining the fringe benefit exclusion and whether the section 274(e)(2) exception for expenses treated as compensation applies, the deduction that is disallowed relates to the expense of providing a qualified transportation fringe, not its value. For more information, see Regulations sections 1.274-13 and 1.274-14.

More information. For more information on qualified transportation benefits, including van pools, and how to determine the value of parking, see Regulations section 1.132-9.

Tuition Reduction

An educational organization can exclude the value of a qualified tuition reduction it provides to an employee from the employee's wages.

A tuition reduction for undergraduate education generally qualifies for this exclusion if it is for the education of one of the following individuals.

1. A current employee.
2. A former employee who retired or left on disability.
3. A widow or widower of an individual who died while an employee.
4. A widow or widower of a former employee who retired or left on disability.
5. A dependent child or spouse of any individual listed in (1) through (4) above.

A tuition reduction for graduate education qualifies for this exclusion only if it is for the education of a graduate student who performs teaching or research activities for the educational organization.

For more information on this exclusion, see *Qualified Tuition Reduction* under *Other Types of Educational Assistance* in chapter 1 of Pub. 970.

Working Condition Benefits

This exclusion applies to property and services you provide to an employee so that the employee can perform their job. It applies to the extent the cost of the property or services would be allowable as a business expense or depreciation expense deduction to the employee if he or

she had paid for it. The employee must meet any substantiation requirements that apply to the deduction. Examples of working condition benefits include an employee's use of a company car for business, an [employer-provided cell phone](#) provided primarily for noncompensatory business purposes (discussed earlier), and job-related education provided to an employee.

This exclusion also applies to a cash payment you provide for an employee's expenses for a specific or prearranged business activity if such expenses would otherwise be allowable as a business expense or depreciation expense deduction to the employee. You must require the employee to verify that the payment is actually used for those expenses and to return any unused part of the payment.

The exclusion doesn't apply to the following items.

- A service or property provided under a flexible spending account in which you agree to provide the employee, over a time period, a certain level of unspecified noncash benefits with a predetermined cash value.
- A physical examination program you provide, even if mandatory.
- Any item to the extent the payment would be allowable as a deduction to the employee as an expense for a trade or business other than your trade or business. For more information, see Regulations section 1.132-5(a)(2).

Employee. For this exclusion, treat the following individuals as employees.

- A current employee.
- A partner who performs services for a partnership.
- A director of your company.
- An independent contractor who performs services for you.

Vehicle allocation rules. If you provide a car for an employee's use, the amount you can exclude as a working condition benefit is the amount that would be allowable as a deductible business expense if the employee paid for its use. If the employee uses the car for both business and personal use, the value of the working condition benefit is the part determined to be for business use of the vehicle. See *Business use of your car* under *Personal Versus Business Expenses* in chapter 1 of Pub. 535. Also, see the special rules for certain [demonstrator cars](#) and [qualified nonpersonal use vehicles](#) discussed later.

Demonstrator cars. Generally, all of the use of a demonstrator car by your full-time auto salesperson in the sales area in which your sales office is located qualifies as a working condition benefit if the use is primarily to facilitate the services the salesperson provides for you and there are substantial restrictions on personal use. For more information and the definition of "full-time auto salesperson," see Regulations section 1.132-5(o). For optional, simplified methods used to determine if full, partial, or no

exclusion of income to the employee for personal use of a demonstrator car applies, see Revenue Procedure 2001-56. You can find Revenue Procedure 2001-56 on page 590 of Internal Revenue Bulletin 2001-51 at [IRS.gov/pub/irs-irbs/irb01-51.pdf](https://www.irs.gov/pub/irs-irbs/irb01-51.pdf).

Qualified nonpersonal use vehicles. All of an employee's use of a qualified nonpersonal use vehicle is a working condition benefit. A qualified nonpersonal use vehicle is any vehicle the employee isn't likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use vehicles generally include all of the following vehicles.

- Clearly marked, through painted insignia or words, police, fire, and public safety vehicles, provided that any personal use of the vehicle (other than commuting) is prohibited by the governmental unit.
- Unmarked vehicles used by law enforcement officers if the use is officially authorized. Any personal use must be authorized by the employer, and must be related to law-enforcement functions, such as being able to report directly from home to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips can't qualify as an authorized use.
- An ambulance or hearse used for its specific purpose.
- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.
- Delivery trucks with seating for the driver only, or the driver plus a folding jump seat.
- A passenger bus with a capacity of at least 20 passengers used for its specific purpose and school buses. The working condition benefit is available only for the driver, not for any passengers.
- Tractors and other special-purpose farm vehicles.
- Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flat-bed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks.

See Regulations section 1.274-5(k) for the definition of qualified moving van and qualified specialized utility repair truck.

Pickup trucks. A pickup truck with a loaded gross vehicle weight of 14,000 pounds or less is a qualified nonpersonal use vehicle if it has been specially modified so it isn't likely to be used more than minimally for personal purposes. For example, a pickup truck qualifies if it is clearly marked with permanently affixed decals, special painting, or other advertising associated with your trade, business, or function and meets either of the following requirements.

1. It is equipped with at least one of the following items.
 - a. A hydraulic lift gate.
 - b. Permanent tanks or drums.

c. Permanent side boards or panels that materially raise the level of the sides of the truck bed. Item 12.

d. Other heavy equipment (such as an electric generator, welder, boom, or crane used to tow automobiles and other vehicles).

2. It is used primarily to transport a particular type of load (other than over the public highways) in a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified.

Vans. A van with a loaded gross vehicle weight of 14,000 pounds or less is a qualified nonpersonal use vehicle if it has been specially modified so it isn't likely to be used more than minimally for personal purposes. For example, a van qualifies if it is clearly marked with permanently affixed decals, special painting, or other advertising associated with your trade, business, or function and has a seat for the driver only (or the driver and one other person) and either of the following items.

- Permanent shelving that fills most of the cargo area.
- An open cargo area and the van always carries merchandise, material, or equipment used in your trade, business, or function.

Education. Certain job-related education you provide to an employee may qualify for exclusion as a working condition benefit. To qualify, the education must meet the same requirements that would apply for determining whether the employee could deduct the expenses had the employee paid the expenses. Degree programs as a whole don't necessarily qualify as a working condition benefit. Each course in the program must be evaluated individually for qualification as a working condition benefit. The education must meet at least one of the following tests.

- The education is required by the employer or by law for the employee to keep their present salary, status, or job. The required education must serve a bona fide business purpose of the employer.
- The education maintains or improves skills needed in the job.

However, even if the education meets one or both of the above tests, it isn't qualifying education if it:

- Is needed to meet the minimum educational requirements of the employee's present trade or business, or
- Is part of a program of study that will qualify the employee for a new trade or business.

Outplacement services. An employee's use of outplacement services qualifies as a working condition benefit if you provide the services to the employee on the basis of need, you get a substantial business benefit from the services distinct from the benefit you would get from the payment of additional wages, and the employee is seeking new employment in the same kind of trade or business in which the employee is presently working. Substantial business benefits include promoting a positive business

image, maintaining employee morale, and avoiding wrongful termination suits.

Outplacement services don't qualify as a working condition benefit if the employee can choose to receive cash or taxable benefits in place of the services. If you maintain a severance plan and permit employees to get outplacement services with reduced severance pay, include in the employee's wages the difference between the unreduced severance and the reduced severance payments.

Product testing. The fair market value of the use of consumer goods, which are manufactured for sale to nonemployees, for product testing and evaluation by your employee outside your workplace, qualifies as a working condition benefit if all of the following conditions are met.

- Consumer testing and evaluation of the product is an ordinary and necessary business expense for you.
- Business reasons necessitate that the testing and evaluation must be performed off your business premises. For example, the testing and evaluation can't be carried out adequately in your office or in laboratory testing facilities.
- You provide the product to your employee for purposes of testing and evaluation.
- You provide the product to your employee for no longer than necessary to test and evaluate its performance, and (to the extent not finished) the product must be returned to you at completion of the testing and evaluation period.
- You impose limitations on your employee's use of the product that significantly reduce the value of any personal benefit to your employee. This includes limiting your employee's ability to select among different models or varieties of the consumer product, and prohibiting the use of the product by persons other than your employee.
- Your employee submits detailed reports to you on the testing and evaluation.

The program won't qualify if you don't use and examine the results of the detailed reports submitted by employees within a reasonable period of time after expiration of the testing period. Additionally, existence of one or more of the following factors may also establish that the program isn't a bona fide product-testing program.

- The program is in essence a leasing program under which employees lease the consumer goods from you for a fee.
- The nature of the product and other considerations are insufficient to justify the testing program.
- The expense of the program outweighs the benefits to be gained from testing and evaluation.

The program must also not be limited to only certain classes of employees (such as highly compensated employees), unless you can show a business reason for providing the products only to specific employees. For example, an automobile manufacturer may limit providing automobiles for testing and evaluation to only their design

engineers and supervisory mechanics, as they can easily evaluate the automobiles.

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Exclusion from wages. You can generally exclude the value of a working condition benefit you provide to an employee from the employee's wages.

Exception for independent contractors who perform services for you. You can't exclude the use of consumer goods you provide in a product-testing program from the compensation you pay to an independent contractor. You can't exclude the value of parking as a working condition benefit, but you may be able to exclude it as a de minimis fringe benefit. Transit passes provided to independent contractors may be excluded as a working condition benefit if they meet the requirements of a working condition benefit described earlier. However, personal commuting expenses are not deductible as a business expense. Transit passes may also be excluded as a de minimis fringe benefit. For more information on de minimis transportation benefits, see [De Minimis Transportation Benefits](#), earlier in this section.

Exception for company directors. You can't exclude the value of the use of consumer goods you provide in a product-testing program from the compensation you pay to a director.

3. Fringe Benefit Valuation Rules

This section discusses the rules you must use to determine the value of a fringe benefit you provide to an employee. You must determine the value of any benefit you can't exclude under the rules in [section 2](#) or for which the amount you can exclude is limited. See [Including taxable benefits in pay](#) in section 1.

In most cases, you must use the general valuation rule to value a fringe benefit. However, you may be able to use a special valuation rule to determine the value of certain benefits.

This section doesn't discuss the special valuation rule used to value meals provided at an employer-operated eating facility for employees. For that rule, see Regulations section 1.61-21(j). This section also doesn't discuss the special valuation rules used to value the use of aircraft. For those rules, see Regulations sections 1.61-21(g) and (h). The aircraft fringe benefit valuation formulas are published in the Internal Revenue Bulletin as Revenue Rulings twice during the year. The formula applicable for the first half of the year is usually available at the end of March. The formula applicable for the second half of the year is usually available at the end of September.

General Valuation Rule

You must use the general valuation rule to determine the value of most fringe benefits. Under this rule, the value of a fringe benefit is its fair market value.

Fair market value (FMV). The FMV of a fringe benefit is the amount an employee would have to pay a third party in an arm's-length transaction to buy or lease the benefit. Determine this amount on the basis of all the facts and circumstances.

Neither the amount the employee considers to be the value of the fringe benefit nor the cost you incur to provide the benefit determines its FMV.

Employer-provided vehicles. In general, the FMV of an employer-provided vehicle is the amount the employee would have to pay a third party to lease the same or similar vehicle on the same or comparable terms in the geographic area where the employee uses the vehicle. A comparable lease term would be the amount of time the vehicle is available for the employee's use, such as a 1-year period.

Don't determine the FMV by multiplying a cents-per-mile rate times the number of miles driven unless the employee can prove the vehicle could have been leased on a cents-per-mile basis.

Cents-Per-Mile Rule

Under this rule, you determine the value of a vehicle you provide to an employee for personal use by multiplying the standard mileage rate by the total miles the employee drives the vehicle for personal purposes. Personal use is any use of the vehicle other than use in your trade or business. This amount must be included in the employee's wages or reimbursed by the employee. For 2023, the standard mileage rate is 65.5 cents per mile.

You can use the cents-per-mile rule if either of the following requirements is met.

- You reasonably expect the vehicle to be regularly used in your trade or business throughout the calendar year (or for a shorter period during which you own or lease it).
- The vehicle meets the mileage test.



Maximum automobile value. You can't use the cents-per-mile rule for an automobile (including a truck or van) if its value when you first make it available to any employee for personal use in calendar year 2023 is more than \$60,800. For guidance related to the impact of P.L. 115-97 on this rule, see Treasury Decision 9893, 2020-09 I.R.B. 449, available at [IRS.gov/irb/2020-09_IRB#TD-9893](https://www.irs.gov/irb/2020-09_IRB#TD-9893). If you and the employee own or lease the automobile together, see Regulations sections 1.61-21(e)(1)(iii)(B) and (C).

Vehicle. For the cents-per-mile rule, a vehicle is any motorized wheeled vehicle, including an automobile, manufactured primarily for use on public streets, roads, and highways.

Regular use in your trade or business. Whether a vehicle is regularly used in your trade or business is determined on the basis of all facts and circumstances. A vehicle

is considered regularly used in your trade or business if one of the following safe harbor conditions is met. Item 12.

- At least 50% of the vehicle's total annual mileage is for your trade or business.
- You sponsor a commuting pool that generally uses the vehicle each workday to drive at least three employees to and from work.

Infrequent business use of the vehicle, such as for occasional trips to the airport or between your multiple business premises, isn't regular use of the vehicle in your trade or business.

Mileage test. A vehicle meets the mileage test for a calendar year if both of the following requirements are met.

- The vehicle is actually driven at least 10,000 miles during the year. If you own or lease the vehicle only part of the year, reduce the 10,000-mile requirement proportionately.
- The vehicle is used during the year primarily by employees. Consider the vehicle used primarily by employees if they use it consistently for commuting. Don't treat the use of the vehicle by another individual whose use would be taxed to the employee as use by the employee.

For example, if only one employee uses a vehicle during the calendar year and that employee drives the vehicle at least 10,000 miles in that year, the vehicle meets the mileage test even if all miles driven by the employee are personal.

Consistency requirements. If you use the cents-per-mile rule, the following requirements apply.

- You must begin using the cents-per-mile rule on the first day you make the vehicle available to any employee for personal use. However, if you use the [commuting rule](#) (discussed later) when you first make the vehicle available to any employee for personal use, you can change to the cents-per-mile rule on the first day for which you don't use the commuting rule.
- You must use the cents-per-mile rule for all later years in which you make the vehicle available to any employee and the vehicle qualifies, except that you can use the commuting rule for any year during which use of the vehicle qualifies under the commuting rules. However, if the vehicle doesn't qualify for the cents-per-mile rule during a later year, you can use for that year and thereafter any other rule for which the vehicle then qualifies.
- You must continue to use the cents-per-mile rule if you provide a replacement vehicle to the employee (and the vehicle qualifies for the use of this rule) and your primary reason for the replacement is to reduce federal taxes.

Items included in cents-per-mile rate. The cents-per-mile rate includes the value of maintenance and insurance for the vehicle. Don't reduce the rate by the value of any service included in the rate that you didn't

provide. You can take into account the services actually provided for the vehicle by using the [General Valuation Rule](#), earlier.

For miles driven in the United States, its territories and possessions, Canada, and Mexico, the cents-per-mile rate includes the value of fuel you provide. If you don't provide fuel, you can reduce the rate by no more than 5.5 cents.

For special rules that apply to fuel you provide for miles driven outside the United States, Canada, and Mexico, see Regulations section 1.61-21(e)(3)(ii)(B).

The value of any other service you provide for a vehicle isn't included in the cents-per-mile rate. Use the general valuation rule to value these services.

Commuting Rule

Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee's wages or reimbursed by the employee.

You can use the commuting rule if all the following requirements are met.

- You provide the vehicle to an employee for use in your trade or business and, for bona fide noncompensatory business reasons, you require the employee to commute in the vehicle. You will be treated as if you had met this requirement if the vehicle is generally used each workday to carry at least three employees to and from work in an employer-sponsored commuting pool.
- You establish a written policy under which you don't allow the employee, nor any individual whose use would be taxable to the employee, to use the vehicle for personal purposes other than for commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home). Personal use of a vehicle is all use that isn't for your trade or business.
- The employee doesn't use the vehicle for personal purposes other than commuting and de minimis personal use.
- If this vehicle is an automobile (any four-wheeled vehicle, such as a car, pickup truck, or van), the employee who uses it for commuting isn't a control employee. See [Control employee](#), later.

Vehicle. For this rule, a vehicle is any motorized wheeled vehicle (including an automobile) manufactured primarily for use on public streets, roads, and highways.

Control employee. A control employee of a nongovernment employer for 2023 is generally any of the following employees.

- A board or shareholder-appointed, confirmed, or elected officer whose pay is \$130,000 or more.
- A director.

- An employee whose pay is \$265,000 or more. Item 12.
- An employee who owns a 1% or more equity, capital, or profits interest in your business.

A control employee for a government employer for 2023 is either of the following.

- A government employee whose compensation is equal to or exceeds Federal Government Executive Level V. See the Office of Personnel Management website at [OPM.gov/policy-data-oversight/pay-leave/salaries-wages](https://opm.gov/policy-data-oversight/pay-leave/salaries-wages) for 2023 compensation information.
- An elected official.

Highly compensated employee alternative. Instead of using the preceding definition, you can choose to define a control employee as any highly compensated employee. A highly compensated employee for 2023 is an employee who meets either of the following tests.

1. The employee was a 5% owner at any time during the year or the preceding year.
2. The employee received more than \$135,000 in pay for the preceding year.

You can choose to ignore test (2) if the employee wasn't also in the top 20% of employees when ranked by pay for the preceding year.

Lease Value Rule

Under this rule, you determine the value of an automobile you provide to an employee by using its annual lease value. For an automobile provided only part of the year, use either its [prorated annual lease value](#) or its [daily lease value](#) (discussed later).

If the automobile is used by the employee in your business, you generally reduce the lease value by the amount that is excluded from the employee's wages as a [working condition benefit](#) (discussed earlier in section 2). In order to do this, the employee must account to the employer for the business use. This is done by substantiating the usage (mileage, for example), the time and place of the travel, and the business purpose of the travel. Written records made at the time of each business use are the best evidence. Any use of a company-provided vehicle that isn't substantiated as business use is included in income. The working condition benefit is the amount that would be an allowable business expense deduction for the employee if the employee paid for the use of the vehicle.

Automobile. For this rule, an automobile is any four-wheeled vehicle (such as a car, pickup truck, or van) manufactured primarily for use on public streets, roads, and highways.

Consistency requirements. If you use the lease value rule, the following requirements apply.

1. You must begin using this rule on the first day you make the automobile available to any employee for personal use. However, the following exceptions apply.

- a. If you use the [commuting rule](#) (discussed earlier in this section) when you first make the automobile available to any employee for personal use, you can change to the lease value rule on the first day for which you don't use the commuting rule.
 - b. If you use the [cents-per-mile rule](#) (discussed earlier in this section) when you first make the automobile available to any employee for personal use, you can change to the lease value rule on the first day on which the automobile no longer qualifies for the cents-per-mile rule.
2. You must use this rule for all later years in which you make the automobile available to any employee, except that you can use the commuting rule for any year during which use of the automobile qualifies.
 3. You must continue to use this rule if you provide a replacement automobile to the employee and your primary reason for the replacement is to reduce federal taxes.

Annual Lease Value

Generally, you figure the annual lease value of an automobile as follows.

1. Determine the FMV of the automobile on the first date it is available to any employee for personal use.
2. Using Table 3-1, read down column (1) until you come to the dollar range within which the FMV of the automobile falls. Then read across to column (2) to find the annual lease value.
3. Multiply the annual lease value by the percentage of personal miles out of total miles driven by the employee.

Table 3-1. Annual Lease Value Table

(1) Automobile FMV	(2) Annual Lease Value
\$ 0 to 999	\$ 600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6,350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 29,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250

For automobiles with an FMV of more than \$59,999, the annual lease value equals $(0.25 \times \text{the FMV of the automobile}) + \500 .

FMV. The FMV of an automobile is the amount a person would pay to buy it from a third party in an arm's-length transaction in the area in which the automobile is bought or leased. That amount includes all purchase expenses, such as sales tax and title fees.

If you have 20 or more automobiles, see Regulations section 1.61-21(d)(5)(v). If you and the employee own or lease the automobile together, see Regulations section 1.61-21(d)(2)(ii).

You don't have to include the value of a telephone or any specialized equipment added to, or carried in, the automobile if the equipment is necessary for your business. However, include the value of specialized equipment if the employee to whom the automobile is available uses the

specialized equipment in a trade or business other than yours.

Neither the amount the employee considers to be the value of the benefit nor your cost for either buying or leasing the automobile determines its FMV. However, see *Safe-harbor value* next.

Safe-harbor value. You may be able to use a safe-harbor value as the FMV.

For an automobile you bought at arm's length, the safe-harbor value is your cost, including sales tax, title, and other purchase expenses. This method isn't available for an automobile you manufactured.

For an automobile you lease, you can use any of the following as the safe-harbor value.

- The manufacturer's invoice price (including options) plus 4%.
- The manufacturer's suggested retail price minus 8% (including sales tax, title, and other expenses of purchase).
- The retail value of the automobile reported by a nationally recognized pricing source if that retail value is reasonable for the automobile.

Items included in annual lease value table. Each annual lease value in the table includes the value of maintenance and insurance for the automobile. Don't reduce the annual lease value by the value of any of these services that you didn't provide. For example, don't reduce the annual lease value by the value of a maintenance service contract or insurance you didn't provide. You can take into account the services actually provided for the automobile by using the [general valuation rule](#) discussed earlier.

Items not included. The annual lease value doesn't include the value of fuel you provide to an employee for personal use, regardless of whether you provide it, reimburse its cost, or have it charged to you. You must include the value of the fuel separately in the employee's wages. You can value fuel you provided at FMV or at 5.5 cents per mile for all miles driven by the employee. However, you can't value at 5.5 cents per mile fuel you provide for miles driven outside the United States (including its possessions and territories), Canada, and Mexico.

If you reimburse an employee for the cost of fuel, or have it charged to you, you generally value the fuel at the amount you reimburse, or the amount charged to you if it was bought at arm's length.

If you have 20 or more automobiles, see Regulations section 1.61-21(d)(3)(ii)(D).

If you provide any service other than maintenance and insurance for an automobile, you must add the FMV of that service to the annual lease value of the automobile to figure the value of the benefit.

4-year lease term. The annual lease values in the table are based on a 4-year lease term. These values will generally stay the same for the period that begins with the first date you use this rule for the automobile and ends on December 31 of the fourth full calendar year following that date.

Figure the annual lease value for each later 4-year period by determining the FMV of the automobile on January 1 of the first year of the later 4-year period and selecting the amount in column (2) of the table that corresponds to the appropriate dollar range in column (1). Item 12.

Using the special accounting rule. If you use the [special accounting rule](#) for fringe benefits discussed in section 4, you can figure the annual lease value for each later 4-year period at the beginning of the special accounting period that starts immediately before the January 1 date described in the previous paragraph.

For example, assume that you use the special accounting rule and that, beginning on November 1, 2022, the special accounting period is November 1 to October 31. You elected to use the lease value rule as of January 1, 2023. You can refigure the annual lease value on November 1, 2026, rather than on January 1, 2027.

Transferring an automobile from one employee to another. Unless the primary purpose of the transfer is to reduce federal taxes, you can refigure the annual lease value based on the FMV of the automobile on January 1 of the calendar year of transfer.

However, if you use the [special accounting rule](#) for fringe benefits discussed in section 4, you can refigure the annual lease value (based on the FMV of the automobile) at the beginning of the special accounting period in which the transfer occurs.

Prorated Annual Lease Value

If you provide an automobile to an employee for a continuous period of 30 or more days but less than an entire calendar year, you can prorate the annual lease value. Figure the prorated annual lease value by multiplying the annual lease value by a fraction, using the number of days of availability as the numerator and 365 as the denominator.

If you provide an automobile continuously for at least 30 days, but the period covers 2 calendar years (or 2 special accounting periods if you're using the [special accounting rule](#) for fringe benefits discussed in section 4), you can use the prorated annual lease value or the daily lease value.

If you have 20 or more automobiles, see Regulations section 1.61-21(d)(6).

If an automobile is unavailable to the employee because of the employee's personal reasons (for example, if the employee is on vacation), you can't take into account the periods of unavailability when you use a prorated annual lease value.



You can't use a prorated annual lease value if the reduction of federal tax is the main reason the automobile is unavailable.

Daily Lease Value

If you provide an automobile to an employee for a continuous period of less than 30 days, use the daily lease value to figure its value. Figure the daily lease value by multiplying the annual lease value by a fraction, using four times the number of days of availability as the numerator and 365 as the denominator.

However, you can apply a prorated annual lease value for a period of continuous availability of less than 30 days by treating the automobile as if it had been available for 30 days. Use a prorated annual lease value if it would result in a lower valuation than applying the daily lease value to the shorter period of availability.

Unsafe Conditions Commuting Rule

Under this rule, the value of commuting transportation you provide to a qualified employee solely because of unsafe conditions is \$1.50 for a one-way commute (that is, from home to work or from work to home). If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee's wages or reimbursed by the employee.

You can use the unsafe conditions commuting rule for qualified employees if all of the following requirements are met.

- The employee would ordinarily walk or use public transportation for commuting.
- You have a written policy under which you don't provide the transportation for personal purposes other than commuting because of unsafe conditions.
- The employee doesn't use the transportation for personal purposes other than commuting because of unsafe conditions.

These requirements must be met on a trip-by-trip basis.

Commuting transportation. This is transportation to or from work using any motorized wheeled vehicle (including an automobile) manufactured for use on public streets, roads, and highways. You or the employee must buy the transportation from a party that isn't related to you. If the employee buys it, you must reimburse the employee for its cost (for example, cab fare) under a bona fide reimbursement arrangement.

Qualified employee. A qualified employee for 2023 is one who:

- Performs services during the year;
- Is paid on an hourly basis;
- Isn't claimed under section 213(a)(1) of the Fair Labor Standards Act (FLSA) of 1938 (as amended) to be exempt from the minimum wage and maximum hour provisions;
- Is within a classification for which you actually pay, or have specified in writing that you will pay, overtime

pay of at least one and one-half times the regular rate provided in section 207 of FLSA; and Item 12.

- Received pay of not more than \$135,000 during 2022.

However, an employee isn't considered a qualified employee if you don't comply with the recordkeeping requirements concerning the employee's wages, hours, and other conditions and practices of employment under section 211(c) of FLSA and the related regulations.

Unsafe conditions. Unsafe conditions exist if, under the facts and circumstances, a reasonable person would consider it unsafe for the employee to walk or use public transportation at the time of day the employee must commute. One factor indicating whether it is unsafe is the history of crime in the geographic area surrounding the employee's workplace or home at the time of day the employee commutes.

4. Rules for Withholding, Depositing, and Reporting

Use the following guidelines for withholding, depositing, and reporting taxable noncash fringe benefits.

Valuation of taxable fringe benefits. Generally, you must determine the value of taxable noncash fringe benefits no later than January 31 of the next year. Before January 31, you may reasonably estimate the value of the fringe benefits for purposes of withholding and depositing on time.

Choice of period for withholding, depositing, and reporting. For employment tax and withholding purposes, you can treat taxable noncash fringe benefits (including personal use of employer-provided highway motor vehicles) as paid on a pay period, quarter, semiannual, annual, or other basis. But the benefits must be treated as paid no less frequently than annually. You don't have to choose the same period for all employees. You can withhold more frequently for some employees than for others.

You can change the period as often as you like as long as you treat all of the benefits provided in a calendar year as paid no later than December 31 of the calendar year.

You can also treat the value of a single fringe benefit as paid on one or more dates in the same calendar year, even if the employee receives the entire benefit at one time. For example, if your employee receives a fringe benefit valued at \$1,000 in one pay period during 2023, you can treat it as made in four payments of \$250, each in a different pay period of 2023. You don't have to notify the IRS of the use of the periods discussed above.

Transfer of property. The above choice for reporting and withholding doesn't apply to a cash fringe benefit or a fringe benefit that is a transfer of tangible or intangible personal property of a kind normally held for investment or a transfer of real property. For these kinds of fringe benefits, you must use the actual date the property was transferred to the employee.

Withholding and depositing taxes. You can add the value of taxable fringe benefits to regular wages for a payroll period and figure income tax withholding on the total. Or you can withhold federal income tax on the value of fringe benefits at the flat 22% rate that applies to supplemental wages. See section 7 of Pub. 15 for the flat rate (37%) when supplemental wage payments to an individual exceed \$1 million during the year.

You must withhold the applicable income, social security, and Medicare taxes on the date or dates you chose to treat the benefits as paid. Deposit the amounts withheld as discussed in section 11 of Pub. 15.

Additional Medicare Tax withholding. In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. You're required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

For more information on what wages are subject to Medicare tax, see [Table 2-1](#), earlier, and the chart, *Special Rules for Various Types of Services and Payments*, in section 15 of Pub. 15. For more information on Additional Medicare Tax, go to [IRS.gov/ADMTfaqs](https://www.irs.gov/ADMTfaqs).

Amount of deposit. To estimate the amount of income tax withholding and employment taxes and to deposit them on time, make a reasonable estimate of the value of the taxable fringe benefits provided on the date or dates you chose to treat the benefits as paid. Determine the estimated deposit by figuring the amount you would have had to deposit if you had paid cash wages equal to the estimated value of the fringe benefits and withheld taxes from those cash wages. Even if you don't know which employee will receive the fringe benefit on the date the deposit is due, you should follow this procedure.

If you underestimate the value of the fringe benefits and deposit less than the amount you would have had to deposit if the applicable taxes had been withheld, you may be subject to a penalty.

If you overestimate the value of the fringe benefit and overdeposit, you can either claim a refund or have the overpayment applied to your next employment tax return. See the instructions for your employment tax return.

If you paid the required amount of taxes but withheld a lesser amount from the employee, you can recover from the employee the social security, Medicare, or income taxes you deposited on the employee's behalf and included on the employee's Form W-2. However, you must recover the income taxes before April 1 of the following year.

Paying your employee's share of social security and Medicare taxes. If you choose to pay your employee's social security and Medicare taxes on taxable fringe ben-

efits without deducting them from the employee's pay, you must include the amount of the payments in the employee's wages. Also, if your employee leaves your employment and you have unpaid and uncollected taxes for non-cash benefits, you're still liable for those taxes. You must add the uncollected employee share of social security and Medicare tax to the employee's wages. Follow the procedure discussed under *Employee's Portion of Taxes Paid by Employer* in section 7 of Pub. 15-A. Don't use withheld federal income tax to pay the social security and Medicare tax.

Special accounting rule. You can treat the value of taxable noncash benefits as paid on a pay period, quarter, semiannual, annual, or other basis, provided that the benefits are treated as paid no less frequently than annually. You can treat the value of taxable noncash fringe benefits provided during the last 2 months of the calendar year, or any shorter period within the last 2 months, as paid in the next year. Thus, the value of taxable noncash benefits actually provided in the last 2 months of 2022 could be treated as provided in 2023 together with the value of benefits provided in the first 10 months of 2023. This doesn't mean that all benefits treated as paid during the last 2 months of a calendar year can be deferred until the next year. Only the value of benefits actually provided during the last 2 months of the calendar year can be treated as paid in the next calendar year.

Limitation. The special accounting rule can't be used, however, for a fringe benefit that is a transfer of tangible or intangible personal property of a kind normally held for investment or a transfer of real property.

Conformity rules. Use of the special accounting rule is optional. You can use the rule for some fringe benefits but not others. The period of use need not be the same for each fringe benefit. However, if you use the rule for a particular fringe benefit, you must use it for all employees who receive that benefit.

If you use the special accounting rule, your employee must also use it for the same period you use it. But your employee can't use the special accounting rule unless you do.

You don't have to notify the IRS if you use the special accounting rule. You may also, for appropriate administrative reasons, change the period for which you use the rule without notifying the IRS. But you must report the income and deposit the withheld taxes as required for the changed period.

Special rules for highway motor vehicles. If an employee uses the employer's vehicle for personal purposes, the value of that use must be determined by the employer and included in the employee's wages. The value of the personal use must be based on the FMV or determined by using one of the following three special valuation rules previously discussed in [section 3](#).

- The cents-per-mile rule.
- The commuting rule (for commuting use only).
- The lease value rule.

Election not to withhold income tax. You can choose not to withhold income tax on the value of an employee's personal use of a highway motor vehicle you provided. You don't have to make this choice for all employees. You can withhold income tax from the wages of some employees but not others. You must, however, withhold the applicable social security and Medicare taxes on such benefits.

You can choose not to withhold income tax on an employee's personal use of a highway motor vehicle by:

- Notifying the employee (as described below) that you choose not to withhold; and
- Including the value of the benefits in boxes 1, 3, 5, and 14 on a timely furnished Form W-2. For use of a separate statement in lieu of using box 14, see the General Instructions for Forms W-2 and W-3.

The notice must be in writing and must be provided to the employee by January 31 of the election year or within 30 days after a vehicle is first provided to the employee, whichever is later. This notice must be provided in a manner reasonably expected to come to the attention of the affected employee. For example, the notice may be mailed to the employee, included with a paycheck, or posted where the employee could reasonably be expected to see it. You can also change your election not to withhold at any time by notifying the employee in the same manner.

Amount to report on Form 941 (or Form 943, 944, or CT-1) and Form W-2. The actual value of fringe benefits provided during a calendar year (or other period as explained under [Special accounting rule](#), earlier in this section) must be determined by January 31 of the following year. You must report the actual value on Form 941 (or Form 943, 944, or CT-1) and Form W-2. If you choose, you can use a separate Form W-2 for fringe benefits and any other benefit information.

Include the value of the fringe benefit in box 1 of Form W-2. Also include it in boxes 3 and 5, if applicable. You may show the total value of the fringe benefits provided in the calendar year or other period in box 14 of Form W-2. For additional information about reporting of fringe benefits on Form W-2, see the General Instructions for Forms W-2 and W-3.

If you use the special accounting rule, you must notify the affected employees of the period in which you used it. You must give this notice at or near the date you give the Form W-2, but not earlier than with the employee's last paycheck of the calendar year.

How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to [IRS.gov](#) and find resources that can help you right away.

Preparing and filing your tax return. Go to [IRS.gov/EmploymentEfile](#) for more information on filing your employment tax returns electronically.



Getting answers to your tax questions If you go to [IRS.gov](#), you can get up-to-date information on current events and changes in tax law.

- [IRS.gov/Help](#): A variety of tools to help you get answers to some of the most common tax questions.
- [IRS.gov/Forms](#): Find forms, instructions, and publications. You will find details on the most recent tax changes and hundreds of interactive links to help you find answers to your questions.
- You may also be able to access tax law information in your electronic filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including tax preparers, enrolled agents, certified public accountants (CPAs), attorneys, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).

Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to [Tips for Choosing a Tax Preparer](#) on [IRS.gov](#).

Coronavirus. Go to [IRS.gov/Coronavirus](#) for links to information on the impact of the coronavirus, as well as tax relief available for individuals and families, small and large businesses, and tax-exempt organizations.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at [SSA.gov/employer](#) for fast, free, and secure online W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2 and Form W-2c, Corrected Wage and Tax Statement.

IRS social media. Go to [IRS.gov/SocialMedia](#) to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are paramount. We use these tools to share public information with you. **Don't** post your SSN or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- [Youtube.com/irsvideos](#).
- [Youtube.com/irsvideomultilingua](#).

- [Youtube.com/irsvideosASL](https://www.youtube.com/irsvideosASL).

Watching IRS videos. The IRS Video portal ([IRSVideos.gov](https://www.irs.gov/irs/videos)) contains video and audio presentations for individuals, small businesses, and tax professionals.

Online tax information in other languages. You can find information on [IRS.gov/MyLanguage](https://www.irs.gov/MyLanguage) if English isn't your native language.

Free over-the-phone interpreter (OPI) service. The IRS is committed to serving our multilingual customers by offering OPI services. OPI is a federally funded program and is available at Taxpayer Assistance Centers (TACs), other IRS offices, and every VITA/TCE return site. OPI service is accessible in more than 350 languages.

Accessibility Helpline available for taxpayers with disabilities. Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille, large print, audio, etc.). The Accessibility Helpline doesn't have access to your IRS account. For help with tax law, refunds, or account-related issues, go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp).

Disasters. Go to [Disaster Assistance and Emergency Relief for Individuals and Businesses](https://www.irs.gov/DisasterAssistance) to review the available disaster tax relief.

Getting tax forms and publications. Go to [IRS.gov/Forms](https://www.irs.gov/Forms) to view, download, or print most of the forms, instructions, and publications you may need. Or you can go to [IRS.gov/OrderForms](https://www.irs.gov/OrderForms) to place an order.

Getting tax publications and instructions in eBook format. You can also download and view popular tax publications and instructions (including Pub. 15-B) on mobile devices as eBooks at [IRS.gov/eBooks](https://www.irs.gov/eBooks).

Note. IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Getting a transcript of your return. You can get a copy of your tax transcript or a copy of your return by calling 800-829-4933 or by mailing Form 4506-T (transcript request) or Form 4506 (copy of return) to the IRS.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your EIN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages, telephone calls, or social media channels to request personal or financial information. This includes requests for personal identification num-

bers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts. Item 12.

- Go to [IRS.gov/IdentityTheft](https://www.irs.gov/IdentityTheft), the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your EIN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.

Making a tax payment. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for information on how to make a payment using any of the following options.

- **Debit or Credit Card:** Choose an approved payment processor to pay online or by phone.
- **Electronic Funds Withdrawal:** Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- **Electronic Federal Tax Payment System:** Best option for businesses. Enrollment is required.
- **Check or Money Order:** Mail your payment to the address listed on the notice or instructions.
- **Cash:** You may be able to pay your taxes with cash at a participating retail store.
- **Same-Day Wire:** You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and cut-off times.

Note. The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick, easy, and faster than mailing in a check or money order.

What if I can't pay now? Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an [online payment agreement \(IRS.gov/OPA\)](https://www.irs.gov/OPA) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the [Offer in Compromise Pre-Qualifier](https://www.irs.gov/offer) to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to [IRS.gov/OIC](https://www.irs.gov/OIC).

Understanding an IRS notice or letter you've received. Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

Contacting your local IRS office. Keep in mind, many questions can be answered on IRS.gov without visiting an IRS TAC. Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TACLocator](https://www.irs.gov/TACLocator) to find the nearest TAC and to check

hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on “Local Offices.”

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an **independent** organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the [Taxpayer Bill of Rights](#).

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to [TaxpayerAdvocate.IRS.gov](#) to help you understand what these rights mean to you and how they apply. These are **your** rights. Know them. Use them.

What Can TAS Do For You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do

everything possible to resolve your issue. TAS can help you if:

Item 12.

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach TAS?

TAS has offices [in every state, the District of Columbia, and Puerto Rico](#). Your local advocate's number is in your local directory and at [TaxpayerAdvocate.IRS.gov/Contact-Us](#). You can also call them at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, report it to them at [IRS.gov/SAMS](#).

TAS for Tax Professionals

TAS can provide a variety of information for tax professionals, including tax law updates and guidance, TAS programs, and ways to let TAS know about systemic problems you've seen in your practice.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

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Purchase Agreement

Item 12.

RON
TIRAPELLI



Family owned since 1984

Joey Madia
Tirapelli Ford
4355 W Jefferson St
Shorewood, IL 60404

Buyer	Co-Buyer	Vehicle
City Of Crest Hill Mark Siefert 2090 Oakland Ave Crest Hill, IL 60403 E: (815) 741-5108, C: (815) 954-5284 msiefert@cityofcresthill.com		2022 Ford Explorer Limited VIN: 1FMSK8FH5NGC14765 Stock #: 227050 Mileage: 532 Color: Black Metallic

Purchase Details	
Sales Price:	\$52,931.00
Accessories:	\$0.00
Service Contract:	\$0.00
GAP:	\$0.00
Government Fees:	\$198.00
Documentation Fee:	\$347.26
Estimated Taxes:	\$0.00
Total Sales Price:	\$53,476.26
Trade Allowance:	\$0.00
Trade Payoff:	\$0.00
Trade Equity:	\$0.00
Rebate:	\$0.00
Cash Down:	\$0.00
Cash Price:	\$53,476.26

X

Customer Signature

Date

X

Manager Signature

Date

Disclaimer:

With Approved Credit. Special Finance rate may be in lieu of rebates. Ask for details.

Printed 4/13/23 10:35 AM

Purchase Agreement

Item 12.

Joey Madia
Tirapelli Ford
4355 W Jefferson St
Shorewood, IL 60404

Buyer	Co-Buyer	Vehicle
City Of Crest Hill Mark Siefert 2090 Oakland Ave Crest Hill, IL 60403 E: (815) 741-5108, C: (815) 954-5284 msiefert@cityofcresthill.com		2022 Ford Explorer Limited VIN: 1FMSK8FH5NGC18752 Stock #: 227049 Mileage: 1,000 Color: Gray Metallic

Purchase Details	
Sales Price:	\$52,931.00
Accessories:	\$0.00
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Rebate:	\$0.00
Cash Down:	\$0.00
Cash Price:	\$53,476.26

X

Customer Signature

Date

X

Manager Signature

Date

Disclaimer:

With Approved Credit. Special Finance rate may be in lieu of rebates. Ask for details.

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City Council Agenda Memo

Crest Hill, IL

Meeting Date:	June 12, 2023
Submitter:	Lisa Banovetz, Director of Finance / Glen Conklin, Treasurer
Department:	Treasurer's Office
Agenda Item:	Consideration to amend the City's current Purchasing Policy

Summary: At the September 6, 2022 City Council meeting, the Council approved a resolution to amend the City's Purchasing Policy and added section 3.5 Emergency Procurement of Professional Services. At the March 27, 2023 City Council Work Session, the City discussed eliminating all departmental Petty Cash funds. At the May 22, 2023 City Council Work Session, the City brought a proposal, for Council's consideration, for how the City's credit card should be used by City employees for all City related purchases.

The City has amended its current Purchasing Policy to remove the section that previously referenced the use of Petty Cash funds as this process is no longer in place. The only other notable change to the amended Purchasing Policy was the addition of language to address City issued Credit Card Procedures and Guidelines. The new policy language can be found in section 3.7.

The amended Purchasing Policy, in addition to a red-lined version of the amended Purchasing Policy are included as attachments for the Council's review.

Recommended Council Action: Consideration of the approval of the amended Purchasing Policy, as presented, at the June 19th 2023 regular City Council meeting.

Financial Impact: N/A

Funding Source: N/A

Budgeted Amount: N/A

Cost: N/A

Attachments:

- Exhibit A Clean Amended Purchasing Policy 6-12-23.docx
- Redlined Exhibit A Amended Purchasing Policy.pdf
- 6-12-23 Resolution to Amend the Purchasing Policy.docx

Exhibit A

PURCHASING POLICY

SECTION 1 - PURPOSE

The purpose of this policy is to provide general guidelines for purchasing activities under \$20,000 and to expedite the processing of City purchases in a timely, efficient manner while assuring adequate internal controls and purchasing authority have been established. This policy is designed to be a fluid document and will be modified to conform to changes in legislation, local ordinances, state statutes, technology, and actual practice. Any modifications to this policy will be presented to the City Council for approval, prior to amending the policy. Purchases over \$20,000 are intended to be covered by competitive bidding requirements (except for “Emergency Purchases” as detailed herein).

The Treasurer, or his/her designee, shall be the final authority concerning enforcement of any of the provisions of this policy. Failure to follow the procedures outlined in this policy may lead to disciplinary action in accordance with the provisions of the City of Crest Hill’s Personnel Manual.

SECTION 2 – ETHICS

2.1 CODE OF ETHICS

All City personnel engaged in purchasing and related activities shall conduct business dealings in a manner above reproach in every respect. City expenditures financed with public funds require the highest degree of public trust to protect the interests of the City and its residents and the businesses who operate within Crest Hill. City employees shall strive to:

- Ensure that public money is spent efficiently and effectively, and in accordance with statutes, regulations, and City policies.
- Always maintain confidentiality.
- Not accept gifts or favors from current or potential suppliers, which might compromise the integrity of their purchasing function.
- Specify generic descriptions of goods wherever possible in lieu of brand names when compiling specifications.
- Never allow purchase orders for identical goods or services to be split or allow for any variations to City Council approvals with the intent to circumvent this established policy.
- Purchase without favor or prejudice.

- Ensure that all potential suppliers are provided with adequate and identical information to base their offer or quotation and that any subsequent information related to the purchase is made available to all bidders.
- Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and vendor selection is based upon the lowest, most responsible, total cost compliant bid.
- Offer a prompt and courteous response to all inquiries from potential or existing suppliers.

2.2 CONFLICT OF INTEREST

Except as may be disclosed to, and permitted by the City Council, it shall be a breach of ethical standards for any employee to participate directly or indirectly in the purchasing process when the employee knows that:

- The employee is contemporaneously employed by a bidder, vendor or contractor involved in the procurement transaction.
- The employee, the employee's partner, or any member of the employee's immediate family holds a position with a bidder, offeror, or contractor such as an officer, director, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction, or owns or controls an interest in the company.
- The employee, the employee's partner, or any member of the employee's immediate family has a financial interest arising from the procurement transaction.
- The employee, the employee's partner, or any member of the employee's immediate family is negotiating, or has an arrangement concerning, prospective employment with a bidder, vendor, or contractor.
 - The employee's immediate family shall be defined as a spouse, children, parents, brothers and sisters, and any other person living in the same household as the employee.

2.3 QUALIFIED LOCAL BUSINESSES

To the extent not prohibited by state statute, it shall be the policy of the City to procure goods and services from qualified local businesses to the greatest extent possible. To be considered a qualified local business, a business must meet each of the following criteria:

- Located within the limits of the City.
- Employs year-round staff located at the business within the City.
- Is current with all payments to the City.
- Has adequately qualified/trained staff to service the bid item.

SECTION 3 - PURCHASING PROCEDURES

The City Administrator is authorized to make, in the ordinary course of business, all purchases of materials, supplies and services necessary for the City as provided for in the annual budget. The City Administrator shall first obtain the approval of the Council for all purchases which exceed \$20,000, prior to making such purchases.

Although any employee of the City may make budgeted purchases, the Department Head is responsible for ensuring that any employee in his/her department is appropriately trained and adequately supervised to ensure that no inappropriate purchases are made. The specific dollar limits of employees' purchasing authority are outlined below and include contracts for the same:

- For budgeted purchases less than \$1,000, only the purchaser's approval is required with the review of the Department Head.
- For budgeted purchases between \$1,000 and \$4,999.99, the purchaser and the Department Head's approval are required. Three verbal quotes are required.
- For budgeted purchases between \$5,000 and \$20,000, the City Administrator, the purchaser, the Department Head, and the Director of Finance must approve the purchase. Three written quotes are required.
- For any purchases greater than \$20,000, Council approval must be obtained prior to the purchase.

3.1 PURCHASES AND CONTRACTS UNDER \$1,000

Purchases and contracts under \$1,000 must be authorized by the purchaser and reviewed by the Department Head. These purchases require no special rules for comparative pricing. These transactions consist of low-cost items needed quickly or other items purchased from a pre-approved vendor. Department Heads are expected to ensure that the City is paying a reasonable amount for the items involved and periodically obtain price quotes to ensure that the City is receiving competitive pricing.

3.2 PURCHASES AND CONTRACTS BETWEEN \$1,000 AND \$5,000

Purchases of more than \$1,000 and less than \$5,000 must be authorized by the Department Head or his/her designee. These purchases require three verbal competitive quotes. When possible, requests for quotes should be solicited from a minimum of five (5) vendors to ensure that a respectable level of solicitation has been attempted. Department Heads are expected to ensure that the City is paying a reasonable amount for the items involved and periodically obtain price quotes to ensure that the City is receiving competitive pricing.

3.3 PURCHASES AND CONTRACTS BETWEEN \$5,000 AND \$20,000

Purchases of more than \$5,000 and less than \$20,000 require three written competitive quotes. When possible, requests for quotes should be solicited from a minimum of five (5) vendors to ensure that a respectable level of solicitation has been attempted. If three quotes cannot be acquired, staff must provide supporting information as to why three quotes could not be acquired. This information should include documentation of the advertisement and solicitation process, direct vendor solicitation methodology including vendor contact information, and vendor outreach scope and attempts via a memorandum from the Department Head. The Director of Finance will make a recommendation to the City Administrator as to whether the purchase should be made with less than three quotes or continue solicitations to obtain additional quotes.

3.4 GENERAL PURCHASING PROCEDURES

The following procedures will be used for all general purchases unless the purchase is required to be made by competitive bidding procedures:

- The operating department will make every effort to obtain a minimum of three written, email, or fax, price quotes from vendors who are eligible to provide the item or service.
- Only the City Administrator or designee can waive the three-quote requirement.
 - No purchases or work is to be initiated until the three-quote requirement has been waived by the City Administrator or designee.
- Responding vendors must provide quote responses on their letterhead or on their company forms with company authorized signatures.
- The operating department will review the quotes received to determine which vendor provided the lowest responsible and responsive quote.
- No purchases can be made until a requisition and/or purchase order is created and fully approved.

There are occasions when it is beneficial and expeditious for a department to use a current or past vendor who provided a favorable price and/or service. In these instances, the City Administrator or designee is authorized to waive the three quotes requirement when it is determined the City can quickly, efficiently, and effectively correct a problem or purchase an item.

3.5 EMERGENCY PROCUREMENT OF PROFESSIONAL SERVICES

This policy shall not apply to the procurement of professional services, which are governed separately from the normal procurement process. Professional services, where possessing a high degree of professional skill and the ability and fitness of the service plays an important role in the selection of the vendor, are subject to state law requirements.

In an emergency situation as defined in Section 4.1 of this Purchasing Policy, the City Administrator is authorized to engage the services of engineers, attorneys, consultants, or other professionals so long as the engagement will not create an obligation for such services which exceeds twenty thousand dollars (\$20,000) without prior approval of the City Council. However, in such emergency situations, the City Administrator must notify the City Council via email as soon as practicable prior to engaging such emergency professional services. Any contract for the engagement of emergency professional services pursuant to this section shall not be extended or renewed once the threshold of \$20,000 has been reached without City Council approval.

Contracts for architectural, engineering, land surveying services, and other professional services, as designated by the City Administrator (for example, public relations consultation services), shall be entered into based on demonstrated competence and qualifications for the type of services required and at fair and equitable compensation. If the City has a satisfactory, established relationship with a firm, a professional services agreement may be negotiated with that firm without contacting other firms providing if it has been determined the firm has the necessary qualifications and experience for the project. The City Administrator may sign all such contracts. All professional services agreements more than \$20,000 must be approved by the City Council.

3.6 DEPARTMENT RESPONSIBILITIES

Departments are responsible for adhering to the following purchase procedures:

- Enter, review, and approve requisitions daily.
- Instruct vendors to mail invoices directly to the Treasurer's Office.
- Obtain a W-9 from all new vendors and forward it to the Treasurer's Office.
- Paperclip all completed and approved purchase orders, applicable packing slips, and additional supporting documents, and forward those to the Treasurer's Office.
- Ensure that vendor payment terms are never less than 30 days.
- Once an invoice is received, the Treasurer's Office will review the information and return incomplete documents to Department Heads to rectify and resolve problems and discrepancies between the invoices and purchase orders (work orders, packing slips, and quotes are not acceptable replacements for invoices).

3.7 CREDIT CARD PROCEDURES AND GUIDELINES

CITY CREDIT CARDHOLDER RESPONSIBILITIES

City-issued Credit Cards (Credit Cards) are issued to designated employees of the City to support specific and limited types of City purchases. Credit Cards are used as a supplement to other acceptable methods of procurement and should only be used when other approved procurement methods are *not* available.

The City strongly encourages the use of other approved methods of procurement when possible. All purchases made with Credit Cards are subject to the requirements and restrictions set forth in the City's Purchasing Policy, as well as the Credit Card Procedures and Acceptable Use Guidelines. Any purchases made with the City's Credit Cards are subject to public disclosure under the Freedom of Information Act (the "FOIA").

CREDIT CARD PROCEDURES

The Credit Card Procedures and Acceptable Use Guidelines (Credit Card Procedures) govern the use of the Credit Cards issued to designated employees of the City to support specific and limited types of City purchases. The Credit Card Procedures are intended to guide employees on appropriate uses and protect employees and the City from any inappropriate use of the Credit Cards. Purchasing with a Credit Card must follow the City's Purchasing Policy including, but not limited to, the competitive purchasing process.

The City of Crest Hill's Credit Cards are City property. In the event a Credit Card is lost or stolen, the employee shall immediately report the loss or theft to the Director of Finance.

ACCEPTABLE USE GUIDELINES

As a supplement to other methods of purchasing, the City uses Credit Cards as a form of payment, in limited circumstances, to provide an efficient electronic payment method. Credit Cards should only be used when ordinary procurement methods are not available. The use of a Credit Card is not intended to replace effective procurement planning.

- Holders of a City issued Credit Card should refer to the City's Purchasing Policy for further guidance regarding acceptable uses.
- All purchases made with a City issued Credit Card must conform with the City's Purchasing Policy.
- Credit Card purchases should not exceed set limits made within a single billing period.
- Avoid all unauthorized purchases.
- Ensure all City-related purchases are budgeted, and have received approval, prior to purchase.
- All purchases follow federal, state and city statutes, ordinances, rules, policies, and procedures.
- Credit Card purchases are *not* split in a manner that violates the City's Purchasing Policy.
- All Credit Card purchases do *not* include any taxes, such as sales tax, from which the City is exempt from paying. Any taxes charged on a Credit Card purchase will require the purchaser to contact the merchant to receive an adjustment credit for the taxes charged on the respective purchase.

Annually, the Director of Finance shall conduct a review of all Credit Cards, including a use analysis, to determine if the Credit Card holders' current positions or duties warrant a continued need for a City issued Credit Card.

Credit Card Restrictions

The following uses of Credit Cards are prohibited unless authorized by the City Treasurer:

- Cash advances.
- Purchases from vendors who already issue the City an invoice.
- Purchases that are not City related and are for personal benefit.
- Purchases of food or beverage, with the following exceptions as approved by a Department Head or Treasurer prior to purchase:
 - Refreshments related to a City hosted meeting or event.
 - Employee or official recognition events.
 - Emergency situations of employees working through a normal meal break.
- Under no circumstances shall the purchase of alcoholic beverages be allowed, using a City issued Credit Card.
- Returns of any purchase made with a City issued Credit Card must be in the form of an account credit and should not be in cash, check, or any other form.

Credit Cardholder Eligibility Criteria

Subject to the approval of the Treasurer, the City will consider issuance of a Credit Card to certain positions based on the operational needs of the City.

Before receipt, all persons issued a Credit Card shall acknowledge, in writing, their receipt of, and agreement to comply with this Policy, and their personal limitation on purchases made with the Credit Card within a single billing period.

All recipients of a Credit Card shall no longer be eligible to hold such Credit Card and shall immediately return the Credit Card to the Director of Finance upon the occurrence of any of the following:

- City Separation of employment.
- Violation of this Policy.
- A determination is made that there is no longer a need for the Credit Card.

Process for Obtaining a Credit Card

- Completion of a bank's application and City approval.
- Review of this Policy and acknowledge agreement to comply with this Policy.

Credit Card Usage Procedures

- Purchase the least expensive item that meets the immediate need.
- Ensure that the purchase does not include sales tax. Sales tax exemption forms may be obtained from the Director of Finance.
- Obtain a receipt for the purchase. The original receipt must be submitted to the Treasurer's Office immediately after purchase. Copies of emailed receipts are sufficient.
- Include a detailed description of each item purchased including the following:
 - Detail of the equipment or good purchased.
 - Reason for use of Credit Card transaction.
 - Specific event held or attended and reason for event and attendees (if applicable).

- Failure to provide receipts of the Credit Card purchase to the Treasurer's office may result in the credit card transaction becoming the responsibility of the employee to pay for that purchase, personally.
 - Repeated failures to provide receipts to the Treasurer's office for Credit Card purchases will result in the loss of Credit Card privileges and will require the employee to relinquish the Credit Card to the Treasurer's Office.

Miscellaneous Issues

Disputed Charges:

- Follow the Credit Card issuer's Policy for disputing a charge.
- Forward a copy of the written dispute to the Treasurer's Office.

Lost or Stolen Credit Cards

- Immediately report the lost or stolen Credit Card to the Director of Finance.

Separation of Employment

- Upon separation, the employee shall relinquish the Credit Card to the Director or Finance.

Accidental Use and Reimbursement

- In the case of an accidental personal charge being made to the City's Credit Card, the Credit Card holder must:
 - Submit in writing a letter stating that the charge was not a City charge.
 - Provide a copy of the receipt.
 - Provide for immediate reimbursement for the charge in the form of a personal check to the City.

SECTION 4 – COMPETITIVE PURCHASING AND EXCEPTIONS

It is the policy of the City of Crest Hill to procure needed materials, supplies, labor, and public improvements from the lowest responsible and responsive vendor. Additionally, certain conditions may warrant waiving of the competitive bidding process when the purchase is over \$20,000. Only the City Council may waive the competitive bidding requirement with a two-thirds vote. Staff must indicate the reason for recommending waiving competitive bidding and the reason must be stated publicly when the City Council approves a purchase.

Acceptable reasons to waive the competitive bidding requirement may include, but are not limited to (all items below are subject to the purchase procedures and regulations as outlined in this policy):

- Emergency purchases.
- Proprietary and Sole Source purchases.
- Equipment standardization.

- Manufacturer, repairs and authorized dealers/sellers.
- Technical nature of item makes competition impractical or will negate standardization.
- Joint Governmental or Cooperative purchasing programs.
- Vendors Currently Under Contract: this is defined as a vendor who currently serves as the City's designated vendor for a specific service such as system maintenance. An example of this may be that the City would use the same vendor who installed its building's security system to install additional equipment at the building.

4.1 EMERGENCY PURCHASES

Emergency purchases are those unforeseen purchases where there is an immediate threat to public health or safety, or to meet emergencies rising from unforeseen causes, which necessitate the need for immediate delivery of items or services, or to prevent delays in work or construction schedules. Departments must notify the City Administrator immediately when they become aware of the need for an emergency purchase. Documentation including an explanation of the emergency must be submitted to the City Administrator in writing within five (5) working days of the department becoming aware of the emergency. The City Administrator or his/her designee is authorized to make emergency purchases over twenty thousand dollars (\$20,000) and must report to the City Council at the earliest opportunity for their approval and ratification. All emergency purchases must be thoroughly documented.

4.2 PROPRIETARY AND SOLE SOURCE PURCHASES

Contracts for parts, supplies, or equipment that are available only from a sole source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:

- Equipment and/or material for which there is no comparable competitive product or is available only from one supplier.
- Public utility services from natural or regulated monopolies.
- A component or replacement part for which there is no commercially available substitute, and which can be obtained only from a specific manufacturer.
- An item where compatibility is the overriding consideration, such as computer software.

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases of more than \$20,000 shall be presented to the City Council prior to acquisition with a request to waive bids and obtain approval for the purchase and approval

to enter a formal contract. Formal bidding for work or public improvements over \$20,000 may be waived by two-thirds vote of the City Council.

4.3 EQUIPMENT STANDARDIZATION

Occasionally, because of the technical nature of certain items, standardization of a particular supplier's specifications may be desirable upon the user department Director's documentation. In such a case, the final determining body for standardization will be the City Council. A decision to standardize must be weighed against:

- The problems associated with having only one supplier available; and,
- The economy of the alternative of non-standardization.

4.4 MANUFACTURER REPAIRS AND AUTHORIZED DEALERS/SELLERS

In some cases, expenditures involving the purchase, service, repair, modification, or calibration of equipment, can only be performed by the manufacturer of the equipment. The purchase of some items may only be available to be purchased from an authorized or regional dealer/seller.

4.5 TECHNICAL NATURE OF ITEM

In instances where the City has existing software, machinery or other technical equipment, the department is not required to make a purchase that would be incompatible with what the City has in place.

4.6 JOINT PURCHASING PROGRAM (COOPERATIVES)

Cooperative purchasing between the City of Crest Hill and the State of Illinois, other local governments, local and national cooperatives such as South Suburban Mayors and Managers Association (SSMMA) or the Suburban Purchasing Cooperative (SPC) and Sourcewell –*formerly National Joint Powers Alliance*, or arrangements with other organizations can result in significant savings on the purchase price of many items.

Department Heads are responsible for analyzing of the benefits of using cooperative purchasing arrangements. Based on their analysis, the Department Heads should make a purchasing recommendation to the City Administrator. Department Heads should research cooperative purchasing arrangements to ensure that competitive prices have been obtained.

4.7 VENDORS CURRENTLY UNDER CONTRACT

Vendors who are currently under contract or who serve as the City's designated vendor for system maintenance activities can be used for multiple projects if the City will receive a cost savings for the combined projects. An example would be if the City were to use the same vendor who installs the building security system to install additional equipment at the building.

4.8 PURCHASES BETWEEN \$5,000 AND \$20,000

There are occasions when past use of known vendors expedites the purchasing process. These expedited purchases increase City operation efficiency. The City Administrator or designee is authorized to waive the three quotes requirement when it is determined the City can quickly and effectively correct a problem or purchase an item.

SECTION 5 - DOCUMENTATION

5.1 CONTRACT SUBMISSION AND REVIEW

Contracts for goods or services less than \$20,000 must be reviewed by the City Administrator and may be reviewed by the City Attorney as determined by the City Administrator. Contracts for goods or services equal to or exceeding \$20,000 must be approved by the City Administrator and City Attorney, (if requested by the City Administrator), before submission to the City Council for consideration. Contracts resulting from competitive bidding may be submitted to the City Council for bid acceptance, contingent upon final contract approval by the City Administrator and City Attorney.

5.2 CONTRACT SIGNATURES

The City Administrator or designee will sign approved contracts between \$1,000 and \$20,000. Department Heads or designees will sign contracts for less than \$5,000. The Mayor will sign contracts over \$20,000 as approved by the City Council.

Exhibit A

PURCHASING POLICY

SECTION 1 - PURPOSE

The purpose of this policy is to provide general guidelines for purchasing activities under \$20,000 and to expedite ~~the~~ processing of City purchases in a timely, efficient manner while assuring adequate internal controls and purchasing authority have been established. This policy is designed to be a fluid document and will be modified ~~from time to time~~ to conform to changes in legislation, local ordinances, state statutes, technology, and actual practice. Any modifications to this policy will be presented to the City Council for approval, prior to amending the policy. Purchases over \$20,000 are intended to be covered by competitive bidding requirements (~~with the exception of~~ except for "Emergency Purchases" as detailed herein).

The ~~City Administrator~~ Treasurer, or his/her designee, shall be the final authority concerning enforcement of any of the provisions of this policy. Failure to follow the procedures outlined in this policy may lead to disciplinary action in accordance with the provisions of the City of Crest Hill's Personnel Manual. ~~The Finance Supervisor will establish written procedures consistent with this purchasing policy and may amend the written procedures in a manner not inconsistent with this policy, local ordinances, or state statutes.~~

SECTION 2 – ETHICS

2.1 CODE OF ETHICS

All City personnel engaged in purchasing and related activities shall conduct business dealings in a manner above reproach in every respect. ~~City Transactions relating to expenditures financed with~~ of public funds require the highest degree of public trust to protect the interests of the City and ~~its~~ the residents and ~~the~~ businesses ~~who operate within of~~ Crest Hill. City employees shall strive to:

- Ensure that public money is spent efficiently and effectively, and in accordance with statutes, regulations, and City policies.
- ~~Maintain confidentiality at all times~~ Always maintain confidentiality.
- Not accept gifts or favors from current or potential suppliers, which might compromise the integrity of their purchasing function.
- Specify generic descriptions of goods wherever possible in lieu of brand names when compiling specifications.

- Never allow purchase orders for identical goods ~~or~~ services to be ~~split, or split or allow for~~ any variations to City Council approvals ~~to be made in order to~~ with the intent to circumvent this established policy.
- Purchase without favor or prejudice.
- Ensure that all potential suppliers are provided with adequate and identical information ~~upon which~~ to base their offer or quotation and that any subsequent information related to the purchase is made available to all bidders.
- Establish and maintain procedures to ensure that fair and equal consideration is given to each offer or quotation received and vendor selection is based upon the lowest, most totalresponsible, total cost compliant bid.
- Offer a prompt and courteous response to all inquiries from potential or existing suppliers.

2.2 CONFLICT OF INTEREST

Except as may be disclosed to, and permitted by the City Council, it shall be a breach of ethical standards for any employee to participate directly or indirectly in the purchasing process when the employee knows that:

- The employee is contemporaneously employed by a bidder, vendor or contractor involved in the procurement transaction. ~~or~~
- The employee, the employee's partner, or any member of the employee's immediate family holds a position with a bidder, offeror, or contractor such as an officer, director, trustee, partner or the like, or is employed in a capacity involving personal and substantial participation in the procurement transaction, or owns or controls an interest in the company. ~~or~~
- The employee, the employee's partner, or any member of the employee's immediate family has a financial interest arising from the procurement transaction. ~~or~~
- The employee, the employee's partner, or any member of the employee's immediate family is negotiating, or has an arrangement concerning, prospective employment with a bidder, vendor, or contractor.
 - The employee's immediate family shall be defined as a spouse, children, parents, brothers and sisters, and any other person living in the same household as the employee.

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2.3 QUALIFIED LOCAL BUSINESSES

To the extent not prohibited by state statute, it shall be the policy of the City to procure goods and services from qualified local businesses to the greatest extent possible. To be considered a qualified local business, a business must meet each of the following criteria:

1. ~~Businesses must be~~ located within ~~limits~~the limits of the City.

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2. ~~Employs~~ year-round staff located at the business within the City.

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3. ~~Is~~ current with all payments to the City.

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4. ~~Has~~ adequately qualified/trained staff to service the bid item.

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SECTION 3 - PURCHASING PROCEDURES

The City Administrator is authorized to make, in the ordinary course of business, all purchases of materials, supplies and services necessary for the City, ~~including the Cable Department~~, as provided for in the annual budget. ~~The City Manager~~ ~~City shall~~ ~~Administrator shall~~ first procure ~~obtain~~ the approval of the Council for all ~~pget; provided that on~~ purchases which exceed ~~re than~~ \$20,000, prior to making such purchases.

Although any employee of the City may make budgeted purchases, the Department Head is responsible for ensuring that any employee in his/her department is appropriately trained and adequately supervised to ensure that no inappropriate purchases are made. The specific dollar limits of employees' purchasing authority are outlined below and include contracts for the same:

1. For budgeted purchases less than \$1,000, only the purchaser's approval is required with the review of the Department Head.
2. For budgeted purchases between \$1,000 and \$4,999.99, the purchaser and the Department Head's approval are required. Three verbal quotes are required.
3. For budgeted purchases between \$5,000 and \$20,000.00, the City Administrator, the purchaser, the Department Head, and the ~~Finance Director~~ Director of Finance must approve the purchase. Three written quotes are required.
4. For any purchases greater than \$20,000, Council approval must be obtained prior to the purchase.

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3.1 PURCHASES AND CONTRACTS UNDER \$1,000

Purchases and contracts under \$1,000 must be ~~authorized~~ authorized by the purchaser and reviewed by the Department Head. These purchases require no special rules for comparative pricing; ~~they~~ These transactions generally consist of low-cost items needed quickly or other items purchased from a pre-approved vendor. Department Heads are expected to ensure that the City is paying a reasonable amount for the items involved and periodically obtain price quotes to ensure that the City is receiving competitive pricing.

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3.2 PURCHASES AND CONTRACTS BETWEEN \$1,000 AND \$5,000

Purchases ~~of in excess of~~ more than \$1,000 and less than \$5,000 must be authorized by the Department Head or his/her designee. These purchases require three verbal competitive quotes. When possible, ~~request~~ requests for quotes should be solicited from a minimum of five (5) vendors to ensure that a respectable level of solicitation has been attempted. Department Heads are

expected to ensure that the City is paying a reasonable amount for the items involved and periodically obtain price quotes to ensure that the City is receiving competitive pricing.

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3.3 PURCHASES AND CONTRACTS BETWEEN \$5,000 AND \$20,000

Purchases ~~of in excess of more than~~ \$5,000 and less than \$20,000 ~~generally require~~ require three written competitive quotes. When possible, ~~request~~ requests for quotes should be solicited from a minimum of five (5) vendors to ensure that a respectable level of solicitation has been attempted. If three quotes cannot be acquired, staff must provide supporting information as to why three quotes could not be acquired. This information should include documentation of the advertisement and solicitation process, direct vendor solicitation methodology ~~including, including~~ vendor contact information, and vendor outreach scope and attempts via a memo ~~random~~ from the Department Head. ~~The Finance Supervisor~~ Director of Finance will make a recommendation to the City Administrator as to whether the purchase should be made with less than three quotes or continue solicitations to obtain additional quotes.

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3.4 GENERAL PURCHASING PROCEDURES

The following procedures will be used for all general ~~purchase purchasing processes~~ unless the purchase is required to be made by competitive bidding procedures:

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1. The operating department will make every effort to obtain a minimum of three written, email, or fax, price quotes from vendors who are eligible to provide the item or service.

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- a. Only the City Administrator or designee can waive the three-quote requirement.

- b. No purchases or work is to be initiated until the three-quote requirement has been waived by the City Administrator or designee.

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2. Responding vendors must provide quote responses on their letterhead or on their company forms with a company authorized signature.

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3. The operating department will review the quotes received to determine which vendor provided the lowest responsible and responsive quote.

4. ~~Generally, no~~ No purchases can be made until a requisition and/or purchase order is created and fully approved.

There are occasions when it is beneficial and expeditious for a department to ~~utilize use~~ a current or past vendor ~~that who~~ provided a favorable price and/or service. In these ~~instances instances~~, the City Administrator or designee is authorized to waive the three quotes requirement when it is determined the City can quickly, ~~efficiently efficiently~~, and effectively correct a problem or purchase an item.

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~~3.5~~ 3.5 EMERGENCY PROCUREMENT OF PROFESSIONAL SERVICES

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~~This~~ policy shall not apply to ~~the procurement of purchasing or obtaining~~ professional services, which are governed separately from the normal procurement process. Professional services, where possessing a high degree of professional skill and the ability and fitness of the ~~service individual~~ plays an important ~~part role in the selection of the vendor~~, are subject to state law requirements.

In an emergency situation as defined in Section 4.1 of this Purchasing Policy, the City Administrator is authorized to engage the services of engineers, attorneys, consultants, or other professionals ~~for any need~~ so long as the engagement will not create an obligation for such services which exceeds twenty thousand dollars (\$20,000) without prior approval of the City Council. However, in such emergency situations, the City Administrator must notify the City Council via email as soon as practicable prior to engaging such emergency professional services. Any contract for the engagement of emergency professional services pursuant to this section shall not be extended or renewed once the threshold of \$20,000 has been reached without City Council approval.

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Contracts for architectural, engineering, land surveying services, and other professional services, as designated by the City Administrator (for example, public relations consultation services), shall be entered into ~~on the basis of~~ based on demonstrated competence and qualifications for the type of services required and at fair and equitable compensation. If the City has a satisfactory, established relationship with a firm, a professional services agreement may be negotiated with that firm without contacting other firms providing ~~if~~ it has been determined the firm has the necessary qualifications and experience for the ~~particular project~~ project. The City Administrator may sign all such contracts. All professional services agreements ~~in excess of more than~~ \$20,000 must be approved by the City Council.

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3.6 DEPARTMENT RESPONSIBILITIES

Departments are responsible for adhering to the following purchase procedures:

- ~~1.~~ Enter, review, and approve requisitions daily.
- ~~2.~~ Instruct vendors to mail invoices directly to the ~~Finance Department~~ Treasurer's Office.
- ~~3.~~ Obtain a W-9 from all new vendors and ~~forward forward it~~ to the ~~Finance Department~~ Treasurer's Office.
- ~~4.~~ Paperclip all completed and approved purchase orders, ~~to~~ applicable packing slips, and additional supporting documents, and forward those to the ~~Finance Department~~ Treasurer's Office.
- ~~5.~~ Ensure that vendor payment terms are never less than 30 days.
- ~~6.~~ Once ~~the an~~ invoice is received, the ~~Finance department~~ Treasurer's Office will review the information and return ~~unbalanced incomplete~~ documents to Department Heads to rectify and resolve problems and discrepancies between the invoices and purchase orders (work orders, packing slips, and quotes are not acceptable replacements for invoices).

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3.7 PETTY CASH

Responsibility for custody and safeguarding of each fund and for all fund disbursements rests with the appropriate Department Head. The Department Head may designate an employee in their department as custodian of the petty cash fund. Petty cash is to be used to reimburse employees for City expenses which the employee incurs up front and for small purchases which are handled most efficiently by utilizing petty cash. The following restrictions apply:

1. Individual petty cash purchases are limited to a maximum of \$50.00 unless approval is given by the City Administrator.
2. Employee must prepare a petty cash voucher which is approved by the Department Head.
3. Receipts documenting the expense must be attached to the petty cash voucher.
4. Disbursements from petty cash funds cannot be ultimately approved without receipts. If cash is provided in advance of the purchase, the employee must return the unused cash along with the receipt. If an employee cannot provide a receipt, alternative verification approved by the Department Head must be attached.
5. Each department is responsible for balancing and reconciling its own petty cash fund. The Deputy City Clerk is responsible for balancing and reconciling the Mayor's, City Administrator's, and Clerk's petty cash funds.

3.7 CREDIT CARD PROCEDURES AND GUIDELINES

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CITY CREDIT CARDHOLDER RESPONSIBILITIES

City-issued Credit Cards (Credit Cards) are issued to designated employees of the City to support specific and limited types of City purchases. Credit Cards are used as a supplement to other acceptable methods of procurement and should only be used when other approved procurement methods are not available.

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The City strongly encourages the use of other approved methods of procurement when possible. All purchases made with Credit Cards are subject to the requirements and restrictions set forth in the City's Purchasing Policy, as well as the Credit Card Procedures and Acceptable Use Guidelines. Any purchases made with the City's Credit Cards are subject to public disclosure under the Freedom of Information Act (the "FOIA").

CREDIT CARD PROCEDURES

The Credit Card Procedures and Acceptable Use Guidelines (Credit Card Procedures) govern the use of the Credit Cards issued to designated employees of the City to support specific and limited types of City purchases. The Credit Card Procedures are intended to guide employees on appropriate uses and protect employees and the City from any inappropriate use of the Credit Cards. Purchasing with a Credit Card must follow the City's Purchasing Policy including, but not limited to, the competitive purchasing process.

The City of Crest Hill's Credit Cards are City property. In the event a Credit Card is lost or stolen, the employee shall immediately report the loss or theft to the Director of Finance.

ACCEPTABLE USE GUIDELINES

As a supplement to other methods of purchasing, the City uses Credit Cards as a form of payment, in limited circumstances, to provide an efficient electronic payment method. Credit Cards should only be used when ordinary procurement methods are not available. The use of a Credit Card is not intended to replace effective procurement planning.

- Holders of a City issued Credit Card should refer to the City's Purchasing Policy for further guidance regarding acceptable uses.
- All purchases made with a City issued Credit Card must conform with the City's Purchasing Policy.
- Credit Card purchases should not exceed set limits made within a single billing period.
- Avoid all unauthorized purchases.
- Ensure all City-related purchases are budgeted, and have received approval, prior to purchase.
- All purchases follow federal, state and city statutes, ordinances, rules, policies, and procedures.
- Credit Card purchases are *not* split in a manner that violates the City's Purchasing Policy.
- All Credit Card purchases do *not* include any taxes, such as sales tax, from which the City is exempt from paying. Any taxes charged on a Credit Card purchase will require the purchaser to contact the merchant to receive an adjustment credit for the taxes charged on the respective purchase.

Annually, the Director of Finance shall conduct a review of all Credit Cards, including a use analysis, to determine if the Credit Card holders' current positions or duties warrant a continued need for a City issued Credit Card.

Credit Card Restrictions

The following uses of Credit Cards are prohibited unless authorized by the City Treasurer:

- Cash advances.
- Purchases from vendors who already issue the City an invoice.
- Purchases that are not City related and are for personal benefit.
- Purchases of food or beverage, with the following exceptions as approved by a Department Head or Treasurer prior to purchase:
 - Refreshments related to a City hosted meeting or event.
 - Employee or official recognition events.
 - Emergency situations of employees working through a normal meal break.
- Under no circumstances shall the purchase of alcoholic beverages be allowed, using a City issued Credit Card.

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- Returns of any purchase made with a City issued Credit Card must be in the form of an account credit and should not be in cash, check, or any other form.

Credit Cardholder Eligibility Criteria

Subject to the approval of the Treasurer, the City will consider issuance of a Credit Card to certain positions based on the operational needs of the City.

Before receipt, all persons issued a Credit Card shall acknowledge, in writing, their receipt of and agreement to comply with this Policy, and their personal limitation on purchases made with the Credit Card within a single billing period.

All recipients of a Credit Card shall no longer be eligible to hold such Credit Card and shall immediately return the Credit Card to the Director of Finance upon the occurrence of any of the following:

- City Separation of employment.
- Violation of this Policy.
- A determination is made that there is no longer a need for the Credit Card.

Process for Obtaining a Credit Card

- Completion of a bank's application and City approval.
- Review of this Policy and acknowledge agreement to comply with this Policy.

Credit Card Usage Procedures

- Purchase the least expensive item that meets the immediate need.
- Ensure that the purchase does not include sales tax. Sales tax exemption forms may be obtained from the Director of Finance.
- Obtain a receipt for the purchase. The original receipt must be submitted to the Treasurer's Office immediately after purchase. Copies of emailed receipts are sufficient.
- Include a detailed description of each item purchased including the following:
 - Detail of the equipment or good purchased.
 - Reason for use of Credit Card transaction.
 - Specific event held or attended and reason for event and attendees (if applicable).
- Failure to provide receipts of the Credit Card purchase to the Treasurer's office may result in the credit card transaction becoming the responsibility of the employee to pay for that purchase, personally.
 - Repeated failures to provide receipts to the Treasurer's office for Credit Card purchases will result in the loss of Credit Card privileges and will require the employee to relinquish the Credit Card to the Treasurer's Office.

Miscellaneous Issues

Disputed Charges:

- Follow the Credit Card issuer's Policy for disputing a charge.
- Forward a copy of the written dispute to the Treasurer's Office.

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Lost or Stolen Credit Cards

- Immediately report the lost or stolen Credit Card to the Director of Finance.

Separation of Employment

- Upon separation, the employee shall relinquish the Credit Card to the Director or Finance.

Accidental Use and Reimbursement

- In the case of an accidental personal charge being made to the City's Credit Card, the Credit Card holder must:
 - Submit in writing a letter stating that the charge was not a City charge.
 - Provide a copy of the receipt.
 - Provide for immediate reimbursement for the charge in the form of a personal check to the City.

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SECTION 4 – COMPETITIVE PURCHASING AND EXCEPTIONS

It is the policy of the City of Crest Hill to procure needed materials, supplies, labor, and public improvements from the lowest responsible and responsive vendor. Additionally, certain conditions may warrant waiving of the competitive bidding process when the purchase is over \$20,000. Only the City Council may waive the competitive bidding requirement with a two-thirds vote. Staff must indicate the reason for recommending waiving competitive bidding and the reason must be stated publicly when the City Council approves a purchase.

Acceptable reasons to waive the competitive bidding requirement may include, but are not limited to (all items below are subject to the purchase procedures and regulations as outlined in this policy):

1. ~~Emergency purchases;~~purchases.
2. ~~Proprietary and Sole Source purchases;~~purchases.
3. ~~Equipment standardization;~~standardization.
4. ~~Manufacturer, rRepairs and aAuthorized dDealers/Sellers;~~sellers.
5. ~~Technical nature of item makes competition impractical or will negate standardization;~~standardization.
6. ~~Joint Governmental or Cooperative purchasing programs;~~programs.
7. ~~Vendors Currently Under Contract: Utilization of athis is defined-vendor currently under contract or as a vendor that who currently~~ serves as the City's designated vendor for a specific service such as system maintenance. An example of this may be that the City would use ~~(for example, utilize~~ the same vendor who~~that~~ installed its building's security system to install additional equipment at the building).

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4.1 EMERGENCY PURCHASES

Emergency purchases are those unforeseen purchases where there is an immediate threat to public health or safety, or to meet emergencies rising from unforeseen causes, which necessitate the need for immediate delivery of items or services, or to prevent delays in work or construction schedules. Departments must notify the City Administrator immediately when they become aware of the need for an emergency purchase. Documentation including an explanation of the emergency must be submitted to the City Administrator in writing within five (5) working days of the department becoming aware of the emergency. The City Administrator or his/her designee is authorized to make emergency purchases over twenty thousand dollars (\$20,000) and must report to the City Council at the earliest opportunity for their approval and ratification. All emergency purchases must be thoroughly documented.

4.2 PROPRIETARY AND SOLE SOURCE PURCHASES

Contracts for parts, supplies, or equipment that are available only from ~~a single source~~ sole source are referred to as sole source purchases. Sole source procurements may arise from the following circumstances:

1. • Equipment and/or material for which there is no comparable competitive product or is available only from one ~~supplier~~ supplier.
2. • Public utility services from natural or regulated ~~monopolies~~ monopolies.
3. • A component or replacement part for which there is no commercially available substitute, and which can be obtained only from ~~a specific the manufacturer~~ manufacturer.
4. • An item where compatibility is the overriding consideration, such as computer software.

These items shall not be subject to requirements for seeking competitive quotes or bids. However, purchases ~~of in excess of~~ more than \$20,000 shall be presented to the City Council prior to acquisition with a request to waive ~~bids, bids and obtain~~ approval for the purchase and ~~approval to enter into~~ enter a formal contract. Formal bidding for work or public improvements over \$20,000 may be waived by two-thirds vote of ~~the City Council~~ the City Council.

4.3 EQUIPMENT STANDARDIZATION

Occasionally, because of the technical nature of certain items, standardization of a particular supplier's specifications may be desirable upon the user department ~~D~~ Director's

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documentation. In such a case, the final determining body for standardization will be the City Council. A decision to standardize must be weighed against:

1. • ~~T~~he problems associated with having only one supplier available; and,
2. • ~~T~~he economy of the alternative of non-standardization.

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4.4 MANUFACTURER REPAIRS AND AUTHORIZED DEALERS/SELLERS

~~In~~ some cases, expenditures involving the purchase, service, repair, modification, or calibration of equipment, can only be performed by the manufacturer of the equipment. The purchase of some items ~~which are~~ only ~~be~~ available to be purchased from an authorized or regional dealer/seller.

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4.5 TECHNICAL NATURE OF ITEM

~~In~~ instances where the City has existing software, machinery or other technical equipment, the department is not required to ~~make a purchase that would -something incompatible be incompatible~~ with what the City ~~-already-~~ has in place. ~~It is impractical to purchase something that would not be attuned to material already in place.~~

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4.6 JOINT PURCHASING PROGRAM (COOPERATIVES)

~~Cooperative~~ purchasing between the City of Crest Hill and the State of Illinois, other local governments, local and national cooperatives such as South Suburban Mayors and Managers Association (SSMMA) or the Suburban Purchasing Cooperative (SPC) and Sourcewell ~~-formerly National Joint Powers Alliance,~~ or arrangements with other organizations can result in significant savings on the purchase price of many items.

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Department Heads are responsible for analyzing ~~the desirability of taking advantage of of the benefits of using~~ cooperative purchasing arrangements. ~~Based on their analysis, the Department Heads should make a purchasing and making~~ recommendations to the City Administrator. Department Heads should research cooperative purchasing arrangements to ensure that competitive prices have been obtained.

4.7 VENDORS CURRENTLY UNDER CONTRACT

~~Vendors who are currently under contract~~ or ~~that who~~ serve as the City's designated vendor for system maintenance activities ~~can be used for multiple projects if the City will receive a cost savings for the combined projects. An example would be if the City were to use for~~

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~~example: cost saving in utilizing~~ the same vendor ~~who~~that installs the building security system to install additional equipment ~~at the building~~).

4.8 PURCHASES BETWEEN \$5,000 AND \$20,000-

4.8 There are occasions when past use of known vendors expedites the purchas~~ing~~ process. These expedited purchases increase City operation efficiency. The City Administrator or designee is authorized to waive the three quotes requirement when it is determined the City can quickly and effectively correct a problem or purchase an item.

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SECTION 5 - DOCUMENTATION

5.1 CONTRACT SUBMISSION AND REVIEW

~~—~~Contracts for goods or services less than \$20,000 must be reviewed by the City Administrator and may be reviewed by the City Attorney as determined by the City Administrator. Contracts for goods or services equal to or exceeding \$20,000 must be approved by the City Administrator and City Attorney, (if requested by the City Administrator), before submission to the City Council for consideration. Contracts resulting from competitive bidding may be submitted to the City Council for bid acceptance, contingent upon final contract approval by the City Administrator and City Attorney.

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5.2 CONTRACT SIGNATURES

The City Administrator or designee will sign approved contracts between \$1,000 and \$20,000. Department Heads or designees will sign ~~contracts~~contracts for less than \$5,000. The Mayor will sign contracts over \$20,000 as approved by the City Council.

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RESOLUTION NO. _____**A RESOLUTION AMENDING THE PURCHASING POLICY FOR THE
CITY OF CREST HILL**

WHEREAS, the City of Crest Hill seeks to provide an effective and efficient guide for the City employees to requisition and purchase goods and services used within the scope of their employment; and

WHEREAS, the Corporate Authorities of the City of Crest Hill have previously adopted a Purchasing Policy which has from time to time been amended due to the growth of the City and other needs; and

WHEREAS, for such purposes Corporate Authorities deem it in the best interests of the City to Amend its previously adopted Purchasing Policy as attached hereto and incorporated herein as "Exhibit A."

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Crest Hill, Will County, Illinois, as follows:

SECTION 1: PREAMBLE: The recitals set forth above are found to be true and incorporated herein and made part hereof.

SECTION 2: APPROVAL TO AMEND: The Purchasing Policy as attached hereto and incorporated herein as "Exhibit A" is hereby adopted by the City of Crest Hill as the official policy of the City relative to purchases.

SECTION 3: REPEALER: All ordinances, resolutions or parts or ordinances or resolutions conflicting with any of the provisions of this Resolution shall be and the same are hereby repealed.

SECTION 4: EFFECTIVE DATE: This Resolution shall take effect immediately upon its passage and approval as provided by law.

RESOLVED THIS 19th DAY OF JUNE, 2023.

	Aye	Nay	Absent	Abstain
Alderman John Vershay	_____	_____	_____	_____
Alderman Scott Dyke	_____	_____	_____	_____
Alderwoman Claudia Gazal	_____	_____	_____	_____
Alderman Darrell Jefferson	_____	_____	_____	_____
Alderpersion Tina Oberlin	_____	_____	_____	_____
Alderman Mark Cipiti	_____	_____	_____	_____
Alderman Nate Albert	_____	_____	_____	_____
Alderman Joe Kubal	_____	_____	_____	_____
Mayor Raymond R. Soliman	_____	_____	_____	_____

Christine Vershay-Hall, City Clerk

APPROVED THIS 19TH DAY OF JUNE, 2023.

Raymond R. Soliman, Mayor

ATTEST:

Christine Vershay-Hall, City Clerk



City Council Agenda Memo

Crest Hill, IL

Meeting Date: 6/12/2023
Submitter: Mark Siefert, Director of Public Works
Department: Public Works
Agenda Item: Vehicle Discussion

Summary:

Alderman Dyke requested a conversation regarding the purchase of the vehicles. Through conversations with other council members, it was revealed that the discussion was about the accessories on the vehicles and the council not being informed about them. This memo will explain how the vehicles were acquired, the requirements of the vehicles and then the council can decide what next steps they would like to take.

As the council may remember, I came in front of them prior to the end of the budget year with the idea to purchase one or three new vehicles based on the council's choice for the Public Works and Building Department. Public Works then drove to the three local Ford Dealerships we have worked with in the past with the minimum requirements that were asked for. The council may be unaware but when staff orders vehicles there is a 10-page order form with every little detail and accessory. Most of the pages refer specifically to "guts of the vehicle" including engine, drive train, suspension, and other major parts. The last couple of pages include the "accessories" which are grouped together in packages.

We took the application pages to the dealerships and let them know we needed two vehicles that match these descriptions. Only two of the dealerships were able to provide vehicles matching ALL of the application specifications that were presented to them. As you all are very aware, building custom vehicles is no longer an option at a dealership unless you are prepared to wait multiple years. Don't forget that the whole reason we are in this situation is because the vehicle with only the "necessary" accessories was still not in production after over 15 months of waiting.

Public Works did not ask for any of the accessories that have been discussed as potential issues with the council. Some of the necessary accessories were 4WD, back-up/360 cameras, tow package, upgraded suspension, and remote start. The rest of the accessories were just items that were on the vehicles that were suggested by the representative and not individually customizable per accessory.

I would also like to add that these vehicles were under the budget set to Public Works by the council, and on the day of pick-up we were given another \$1,000 per vehicle off from Ford for a new promotion that was started.

Also, this idea was run past the finance department who gave the idea their full blessing before taking it before at the time City Administrator Marino. One question that, City Administrator Marino asked before giving staff the approval to take this to council was “did finance give their approval?” Staff worked collectively on this purchase before bringing it to council.

Recommended Council Action:

None at this time

Financial Impact: None

Funding Source:

Budgeted Amount:

Cost:

Attachments:

None