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**THE CITY OF ROCHELLE**  
**Ogle County, Illinois**

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**RESOLUTION**  
**NO. \_\_\_\_\_**

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**A RESOLUTION ADOPTING AN ELECTRIC OPERATIONS LOSS RESERVE FUND  
POLICY**

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**JOHN BEARROWS, Mayor**  
**ROSE HUERAMO, City Clerk**

**TOM McDERMOTT**  
**BIL HAYES**  
**KATE SHAW-DICKEY**  
**DAN McDERMOTT**  
**ROSAELIA ARTEAGA**  
**BEN VALDIVIESO**  
**City Council**

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Published in pamphlet form by authority of the Mayor and City Council of the City of Rochelle  
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200 W. Adams, Suite 2125, Chicago, IL 60606

CITY OF ROCHELLE  
Ogle County, Illinois

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION ADOPTING AN ELECTRIC OPERATIONS LOSS RESERVE FUND  
POLICY**

**WHEREAS**, Section 7 of Article VII of the 1970 Constitution of the State of Illinois provides that a municipality that is not a home rule unit shall only have the powers granted to them by law and as such the City of Rochelle, Ogle County, Illinois being a non-home rule unit pursuant to the provisions of said Section 7 of Article VII, and may exercise only the powers expressly granted by law; and

**WHEREAS**, the Illinois General Assembly granted non-home rule municipalities broad authority to “pass all ordinances and make all rules and regulations proper or necessary, to carry into effect the powers granted to municipalities.” 65 ILCS 5/1-2-1; and

**WHEREAS**, while “non-home rule municipalities have the authority to enact ordinances, such ordinances may in no event conflict with state law or prohibit what a state statute expressly permits . . . A local ordinance may impose more rigorous or definite regulations in addition to those enacted by the state legislature so long as they do not conflict with the statute.” (*Village of Wauconda v. Hutton*, 291 Ill. App. 3d 1058, 1060 (1997)); and

**WHEREAS**, the City owns an electric utility, which it operates through the Rochelle Municipal Utilities (“RMU”); and

**WHEREAS**, the risk associated with electric generation and distribution is significant; and

**WHEREAS**, due to inflation, valuation adjustments, supply chain issues, and climate change, Electric Operations are facing substantial insurance premium increases; and

**WHEREAS**, it would benefit the City to create a fund for RMU Electric to begin to self-insure and start offsetting high insurance premium costs; and

**WHEREAS**, adopting an Electric Operations Loss Reserve Fund Policy (attached herein as Exhibit A), would allow for RMU Electric to start self-insuring its property assets; and

**WHEREAS**, it has been determined by the Corporate Authorities of the City of Rochelle that it is in the best interest of the City and its residents to adopt an Electric Operations Loss Reserve Fund Policy.

**BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF ROCHELLE, ILLINOIS:**

SECTION ONE: That the City hereby incorporates all of the recitals above into this Resolution as if fully set forth herein.

SECTION TWO: The Mayor and City Council of the City of Rochelle hereby adopt the Electric Operations Loss Reserve Fund Policy attached herein as Exhibit A.

SECTION THREE: If any provision of this Resolution or application thereof to any person or circumstance is ruled unconstitutional or otherwise invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid application or provision, and each invalid provision or invalid application of this Resolution is severable.

SECTION FOUR: Where the conditions imposed by any provisions of this Resolution are more restrictive than comparable provisions imposed elsewhere in any other local law, ordinance, resolution, rule or regulation, the regulations of this Resolution will govern.

SECTION FIVE: The City Clerk shall publish this Resolution in pamphlet form.

SECTION SIX: This Resolution shall be in full force and effect from and after its passage, approval and publication in pamphlet form as provided by law.

APPROVED THIS 25<sup>th</sup> day of September 2023

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MAYOR

ATTEST:

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CITY CLERK

Exhibit A

**CITY OF ROCHELLE**

**CATEGORY: FINANCE**

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**TITLE ELECTRIC OPERATIONS LOSS RESERVE FUND POLICY**

**EFFECTIVE: September, 25, 2023**

**SUPERCEDES: None**

**I. INTRODUCTION & PURPOSE**

The purpose of the Electric Operations Loss Reserve Fund Policy is to self-insure Electric Operations property assets equal to the amount of the insurance policy's deductible.

The City of Rochelle is facing substantial insurance premium increases due to inflation, valuation adjustments, supply chain issues, and climate change. In addition, the risk associated with electric generation and distribution is significant. Costs are skyrocketing as many insurance carriers do not have the appetite for this risk or charging a premium amount for this coverage due to market conditions. It benefits the city to put this fund in place so that RMU Electric can begin to self-insure up to a reasonable figure and begin offsetting high insurance premium costs.

This Policy is designed to keep in cash reserve, net of the amount equal to the insurance policy's deductible. The benefits of the reserve would provide RMU Electric the ability to offset the cost of high and increasing insurance premiums, and the opportunity to earn interest which could be used for other purposes within the department.

Properly designed reserve policies send a positive signal to ratepayers, investors, and regulatory and credit rating agencies that the City is committed to maintaining the long-run fiscal strength of RMU Electric. Strong and transparent financial policies, including maintaining prudent reserves for emergencies, rate stability, working capital and capital improvements, are consistent with best practices in the utility industry and are important to RMU Electric as they help to:

- Maintain the short-term and long-term financial health of RMU Electric.
- Maintain stable rates for customers and help ensure manageable rate increases.
- Fund unanticipated cost contingencies.
- Ensure funds exist for system improvements.
- Ensure cash exists for the timely payment of bills.
- Act as a significant positive credit factor in bond ratings.

**II. Reporting and Oversight**

Reserve levels will be monitored during the fiscal year and reported in the monthly and quarterly financial reports. The reserve target level will be analyzed annually, and an over/under reserve determination shall be made in conjunction

with year-end financial results. These results will be reported to the City Council as part of the year-end financial report presentation. Should undesignated reserve levels need adjustment due to new risk factors due to changes in the industry; these will be brought to the City Council as part of the year-end report.

The Policy will be reviewed annually and updated (at a minimum once every three years) if there are material changes in the risk exposures or new conditions that require changes in reserve levels.

### III. Conclusion

This Policy provides directives to RMU Electric management and staff for decisions and recommendations related to the financial profile of RMU Electric.

In its most abbreviated form, the Policy bases the amount of the reserve as equal to the amount of the insurance policy's deductible.

STATE OF ILLINOIS        )  
  )  
COUNTY OF OGLE         )        SS.

CERTIFICATE

I, \_\_\_\_\_, City Clerk of the City of Rochelle, County of Ogle and State of Illinois, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_, “A RESOLUTION ADOPTING AN ELECTRIC OPERATIONS RESERVE FUND POLICY” which was adopted by the Mayor and City Council of the City of Rochelle on September 25, 2023.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the City of Rochelle this 25<sup>th</sup> day of September 2023.

\_\_\_\_\_  
CITY CLERK