
THE CITY OF ROCHELLE
Ogle County, Illinois

RESOLUTION
NO.

A RESOLUTION AMENDING THE ADOPTED ELECTRIC
OPERATIONS LOSS RESERVE FUND POLICY

JOHN BEARROWS, Mayor
ROSE HUERAMO, City Clerk

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City Council

Published in pamphlet form by authority of the Mayor and City Council of the City of Rochelle
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**CITY OF ROCHELLE
Ogle County, Illinois**

**RESOLUTION NO.
Date Passed:**

**A RESOLUTION AMENDING THE ADOPTED 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, in 2023, the City of Rochelle approved Resolution 23-101, Adopting an Electric Operations Loss Reserve Fund Policy Program ("the Policy"); and

WHEREAS, revisions to the Policy are necessary based on the City's current risk insurance carrier's coverage policies; and

WHEREAS, the Policy needs to be revised to provide funds for equipment breakdown of power generating assets which are excluded by our current risk insurance carrier and to require one million dollars (\$1,000,000) in cash reserves for equipment breakdown of power generating assets; and

WHEREAS, the proposed revisions to the Policy are attached herein as Exhibit A; and

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

NOW THEREFORE BE IT RESOLVED by the Mayor and City Council of the City of Rochelle, Ogle County, Illinois, as follows:

SECTION ONE: The foregoing recitals shall be, and are hereby, incorporated into and made a part of this Resolution as if fully set forth in this Section One.

SECTION TWO: That the Mayor and City Council of the City of Rochelle hereby adopt the amendments to the Electric Operations Loss Reserve Policy as 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 by Resolution 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.

PASSED THIS 26th day of May 2026.

AYES:

NAYS:

ABSENT

ATTEST:

City Clerk

Mayor

STATE OF ILLINOIS))
COUNTY OF OGLE)) SS.

CERTIFICATE

I, Rose Huéramo, 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 AMENDING THE ADOPTED ELECTRIC OPERATIONS LOSS RESERVE FUND POLICY,” which was adopted by the Mayor and City Council of the City of Rochelle on May 26, 2026.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the City of Rochelle this 26th day of May 2026.

CITY CLERK

EXHIBIT A

CITY OF ROCHELLE

CATEGORY: FINANCE

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TITLE: ELECTRIC OPERATIONS LOSS RESERVE FUND POLICY

EFFECTIVE: May 26, 2026

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 or to provide funds for equipment breakdown of power generating assets, a coverage that is excluded by our current risk insurance carrier. To date, the City of Rochelle’s equipment breakdown loss history supports a figure of \$1,000,000.00.

The City 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 are 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 or to provide funds for equipment breakdown of power generating assets. The benefits of the reserve would provide RMU Electric the ability to offset the cost of high and increasing insurance premiums, supply funds for equipment breakdown of power generating assets, and provide ~~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 or a figure of \$1,000,000.00 for equipment breakdown of power generating assets.