

AGENDA
ADMINISTRATION COMMITTEE MEETING

203 W. DIGGINS ST.

April 17, 2024 – 6:30 pm

1. Roll Call
2. Public Comments
3. Proposed Ordinance Water/Sewer Rates
4. Fund Balance Policy
5. New Business
6. Adjourn

ORDINANCE NO. 2024 -

An Ordinance Amending Section 13C.05(A) Water and Sewer User Service Rates, Charges

BE IT ORDAINED by the Mayor and Aldermen of the CITY OF HARVARD, McHenry County, Illinois, as follows:

SECTION 1:: That Chapter 13C.05(A) Water and Sewer User Service Rates shall be amended to read as follows:

13C.05 WATER AND SEWER USER SERVICE RATES, CHARGES

- A. Rates, Charges Established: There shall be, and there are hereby established, rates and charges for the use of and for the service supplied by the City’s combined waterworks and sewerage system. Except as otherwise provided herein, said charges shall be based on the amount of metered water usage read to the lowest increment of 100 cubic feet. In addition to the metered water usage charge there shall be a maintenance fee and infrastructure fee, which is determined by the amount of revenue funds required for the principal and interest payments due for all outstanding bonds authorized and issued by the City for financing improvements to the system. The charges and fees, as well as the maintenance fee and infrastructure fee, shall be billed every two months are set as follows:

PER UNIT CHARGES	Effective 5/1/2024	Effective 5/1/2025	Effective 5/1/2026
Water/Sewer Unit Charge (per 100 Cubic Feet)	\$ 9.88	\$ 10.47	\$ 11.10
Water Only Unit Charge (per 100 Cubic Feet)	\$ 4.92	\$ 5.22	\$ 5.53
MINIMUM CHARGES up to 267 Cubic Feet - Sewer Only Charges			
Sewer only residential users - per billing period	\$ 57.69	\$ 61.15	\$ 64.82
Sewer only commercial users - per billing period	\$ 360.47	\$ 382.10	\$ 405.03
Private Pumping Station Fee - per billing period	\$ 63.12	\$ 66.91	\$ 70.93
PER UNIT CHARGES - After 267 Cubic Feet			
FLAT FEES - REQUIRED OF ALL WATER & SEWER USERS			
State Licencing Fee (EPA)	\$ 1.06	\$ 1.06	\$ 1.06
Maintenance Fee	\$ 20.00	\$ 22.00	\$ 25.00
Infrastructure Fee	\$ 35.00	\$ 35.00	\$ 35.00

SECTION 2: Section 13C.08 Water & Sewer User Service Rates, Charges of the Harvard Municipal Code shall be amended to delete Section 13C.08.E, with regard to the \$5 fee for account transactions.

SECTION 3: If any section, paragraph, subdivision, clause, sentence or provision of this Ordinance shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, invalidate or nullify the remainder thereof, which remainder shall remain and continue in full force and effect.

SECTION 4: All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 5: This Ordinance shall be in full force and effect upon its passage, approval and publication in pamphlet form (which publication is hereby authorized) as provided by law.

Aye:

Nay:

Absent:

Abstain:

APPROVED:

Mayor Michael P. Kelly

(SEAL)

ATTEST: _____
City Clerk Lori Moller

Passed:

Approved:

Published: In Pamphlet Form

**CITY OF HARVARD
FUND BALANCE POLICY
APRIL 30, 2024**

I. OVERVIEW:

The Purpose of this policy is to establish the principles and parameters to which a Fund Balance Target will be defined at the beginning of each budget period. The intent of this policy is to establish a minimum level at which projected end-of-year fund balance/net assets must observe, as a result of the constraints imposed upon the resources reported by the governmental funds. This policy is established to provide financial stability, cash flow for operations, and the assurance that the City of Harvard (City) will be able to respond to emergencies with fiscal strength.

Fiscal sustainability is the City's first priority, while also building funds for future growth. It is essential to maintain adequate levels of fund balance/net assets to mitigate current and future risks and to ensure tax rates. Fund balance/net asset levels are also crucial considerations in long-term financial planning.

II. DEFINITIONS:

Governmental Funds: This fund is used to account for all or most of the City's general activities, not accounted for in another Fund. The Fund balance consists of three primary categories:

- A. Non-Spendable Fund Balance: The portion of a Government Fund balance not available to be spent, either in the short-term or the long-term, or through legal restrictions (e.g., inventories, prepaid items, land held for resale).
- B. Restricted Fund Balance: The portion of a Government Fund balance subject to external, enforceable legal restrictions (e.g., grantor, property tax levies).
- C. Unrestricted Fund Balance: The available, expendable financial resources in a Governmental Fund that is not the object of a tentative management plan.

Some funds are funded by a variety of resources, including both restricted and unrestricted funds defined above. The City assumes that the order of spending fund balance is as follows: restricted, committed, assigned and unassigned.

Proprietary Funds: These funds include enterprise and internal service funds. The net assets will be composed of three primary categories:

- A. Invested in Capital Assets, Net of Related Debt: The portion of a proprietary fund's net assets that replaces the fund's net investment in capital assets, less any amount of outstanding debt related to the purchase/acquisition of said capital assets. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the Government.

- B. Restricted Net Assets: The portion of a proprietary fund's net assets that are subject to external enforceable legal restrictions (e.g., grantor, contributor, or bond covenants).
- C. Unrestricted Net Assets: The portion of a proprietary fund's net assets that is neither restricted nor invested in capital assets (net of related debt).

III. AUTHORITY:

Governmental Funds

- A. Committed Fund Balance: A self-imposed constraint on spending the fund balance must be approved by ordinance or resolution of the City Council. Any modifications or removal of the self-imposed constraint must use the same action used to commit the fund balance. Formal action to commit the fund balance must occur before the end of the fiscal year.
- B. Assigned Fund Balance: A self-imposed constraint on spending the fund balance based on the City's intent to use the fund balance for a specific purpose. The authority may be delegated to members of the management team by the City Council.

IV. MINIMUM UNRESTRICTED FUND BALANCE LEVELS:

Government Funds

A. General Fund

- 1. Purpose: This is a major fund and the general operating fund of the City. It is used to account for all activities that are not accounted for in another fund.
- 2. Fund Balance: Unrestricted fund balance target should represent no less than three (3) months of operating expenditures. A fund balance above six (6) months of operating expenditures may be transferred to other funds, or to capital projects, upon City Council approval.

B. Special Revenue Funds

- 1. Purpose: Used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, other than debt service or capital projects.
- 2. Funds and Financing: Special revenue funds are provided by a specific annual property tax levy or other restricted and/or committed revenue sources. Financing may also be received from other charges for services, etc. The City maintains the following eleven (11) Special Revenue Funds:
 - a. Harvard Diggins Library Fund: A major fund, used to account for the financial resources and costs related to the operations of the Library.

Financing is provided by restricted property tax and a portion of Personal Property Replacement Tax collections.

- b. Park Fund: A major fund, used to account for the financial resources and costs related to City parks and recreation programs. Financing is provided primarily by property tax, as well as charges for services.
 - c. Insurance Fund: A major fund, used to account for the financial resources and costs related to the City's liability insurance needs.
 - d. TIF #2 Industrial Park Fund: A fund used to account for the financial resources and debt service payments related to the TIF #2 District.
 - e. Social Security Fund: A fund used to account for payments to the federal government for social security.
 - f. Illinois Municipal Retirement Fund (IMRF): A fund used to account for payments to the municipal pension plan.
 - g. Motor Fuel Fund: A fund used to account for gas taxes restricted to the maintenance of roads.
 - h. Special Recreation Fund: A fund used to account for membership and participation in the Northern Illinois Special Recreation Association.
 - i. Welfare Fund: A fund used to account for donations for the Harvard Food Pantry and the Senior Citizen Center.
 - j. Revolving Loan Fund: A fund used to account for small business loans.
 - k. Economic Development Fund: A fund used to account for community business development.
3. Fund Balances:
- a. Harvard Diggins Library Fund: This fund will be targeted at a minimum level of 25% of annual budgeted expenditures. This will be adjusted annually with the adoption of the annual budget and is calculated at a minimum of three months of expenditures, not including capital, debt service and transfers.
 - b. The remaining funds listed in Section IV, B(2), b-k, have no minimum target fund balance established at this time.

Proprietary Funds

- A. Sewer/Water Enterprise Fund:

1. Purpose: Established to account for and report financial resources that are invested in capital assets, net of related debt, restricted or unrestricted, for future spending related to the fund. The focus of fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted account principles applicable are those similar to businesses in the private sector. Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
2. Financing: User fees, debt financing, or grants are used to finance operations, capital outlay and improvements, and debt service requirements.
3. Net Assets: Considered invested in capital assets net of related debt, for amounts capitalized as capital assets, less the outstanding debt related to the acquisition of said assets. Restricted net assets relate to bond covenant reserves as outlined in the bond ordinance. Unrestricted net asset targets should represent no less than three months of operating expenses (excluding debt service and capitalized asset expenses).

B. Internal Service Fund: Not applicable.

V. OTHER CONSIDERATIONS

In establishing the above policies for unrestricted fund balance/net asset levels, the City considered the following factors:

- A. The predictability of the City's revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- B. The City's perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts).
- C. The potential drain upon General Fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require a higher level of unrestricted fund balance be maintained in the General Fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the General Fund).
- D. Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).

- E. Commitments and assignments (i.e., the City may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose).

If any of the above factors change, the City should readdress current unrestricted fund balance/net asset levels to ensure amounts are appropriate.