

Section 3.03– Revenue Base

A MEMBER's Annual Contribution to IRMA for any fiscal year of IRMA shall be based upon the following: the average of the most recent five years of "Revenue Base" (as hereinafter defined) of that MEMBER. For purposes of determining the amount of the Annual Contribution, the "Revenue Base" shall mean the total income of the MEMBER from all sources based on the MEMBER's fund financial statements, with the following exclusions or deductions:

- (i) Fifty percent (50%) of the revenue from the sale of water and sewer services or electric service distribution;
- (ii) Tax revenue for the capital costs of water and sewer or electric distribution systems, which is passed through to other governmental bodies;
- (iii) Bond proceeds and borrowings;
- (iv) Interest expenditures or expenses in funds other than those with revenues eligible for the deduction provided above in (i);
- (v) Revenues of a municipal library governed by a Municipal Library Board pursuant to the Local Library Act, Chapter 75 of the Illinois Compiled Statutes, where the MEMBER has elected in writing at least ninety (90) days before the start of a fiscal year to exclude such municipal library from IRMA coverage;
- (vi) Interest income of and employee contributions to police or fire pension funds, or health insurance funds, when these amounts are recorded as revenue;
- (vii) Ninety percent of payments by a MEMBER for services provided by an independent contractor to residents of the MEMBER for garbage, refuse and trash collections when the independent contractor indemnifies the MEMBER and any contract entered into or renewed after May 1, 2014 contains IRMA's suggested indemnity language or other indemnity language that has been approved in writing by IRMA;
- (viii) Tax Increment Financing (TIF) refunds of surplus, which were reported as revenue to IRMA;
- (ix) Revenues from refunds and credits from IRMA; and

- (x) Payments made to another MEMBER where (1) the payment or payments to such MEMBER exceeds \$5,000, and (2) the payee MEMBER reports the payment as revenue to IRMA; however, in the case of payments made to another IRMA MEMBER for water and/or sewer services, only 50% of such payments may be deducted.
- (xi) Notwithstanding the foregoing, in the case of a MEMBER who is a special governmental service district whose primary purpose is the production and sale of water and/or sewer treatment, then: (1) all of the revenue from the sale of water and sewer services shall be included in determining the total income of such MEMBER for purposes of determining the Revenue Base, and (2) with respect to subsection (iv) above, all of the interest expenditures or expenses will be deducted in determining the Revenue Base.
- (xii) Proceeds from the sale of capital assets not to exceed the original cost of the asset.
- (xiii) Ninety percent of the amount paid by the member to independent contractors or other governmental entities (Service Provider) when the following conditions are met:
 - (a) The intent is to transfer the risk to the Service Provider and the contract contains IRMA's suggested indemnity language or other indemnity language that has been approved in writing by IRMA.
 - (b) The contract is not for construction.
 - (c) The total value of the contract is more than 5% of the members' revenue base at the time of application for deduction.
 - (d) IRMA has approved in writing the request for a revenue base deduction at the time contract goes into effect.
- (xiv) Grant revenues recognized by the member for a capital project that will reduce risk and exposure where 1) the grant revenue received is at least 30% of the member's overall revenue base, 2) the construction will be performed by a third party and the contract between the member and the third party contains IRMA's suggested indemnity language or other indemnity language that has been approved in writing

by IRMA and 3) the member has submitted an affidavit signed by the Finance Director or Treasurer attesting that the grant revenue will be utilized on a project that will reduce risk and exposure. There will be no such deduction if the grant proceeds will be used, in part or at all, in a manner that increases risk or exposure, including but not limited to: hiring employees, purchasing vehicles and equipment and purchasing real property and/or constructing buildings. Pursuant to Section 4.04 of the IRMA By-Laws, the member has the right to appeal staff's decision regarding this grant exclusion.

The Revenue Base of each MEMBER shall be based upon the financial statements of the MEMBER submitted to IRMA pursuant to Section 3.09 hereof. IRMA shall annually prepare a written report setting forth the proposed Revenue Base of each MEMBER and shall send such report to each MEMBER. If a MEMBER desires to contest the determination of its Revenue Base, it shall appeal such decision in the manner provided in Section 4.04 of this Contract and Bylaws. If a member changes its fiscal year, both the short year and the following year will be averaged together to come up with the revenue base. For example, a 4/30 year end member switching to a calendar year would have an eight month financial report ending 12/31 and a subsequent full year financial report ending 12/31. A revenue base worksheet would be prepared for each financial report, the totals added together, and 60% of the amount used for the final revenue base (12 months divided by 20 months = 60%).