



City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS

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Legislative File No: 2018-0229

**TO:** Mayor and City Council Members  
**FROM:** Strategic Planning and Policy Technical Review Committee  
**DATE:** June 4, 2018  
**SUBJECT:** Governmental Fund Balance Policy

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**REQUEST:**

The Strategic Planning and Policy Technical Review Committee recommends the adoption of the updated Governmental Fund Balance Policy.

**BACKGROUND:**

The Strategic Planning and Policy Technical Review Committee met in February and May 2018 to review and discuss the City's Governmental Fund Balance Policy.

The City's existing Governmental Fund Balance Policy was last updated in 2009 and calls for a minimum of 20% of annual operating revenues to be maintained for Governmental Funds including General Fund, Special Revenue Funds, and Capital Improvement Funds (note: Debt Service Funds are excluded due to the unique nature of those funds individual functions).

The revised Governmental Fund Balance Policy was developed by researching best practices in Fund Balance Policies per the Governmental Finance Officers Association (GFOA), examining Fund Balance Policy best practice examples from communities all across the country, communications and discussions with the City's Auditor, reviewing the best practices in context with the City of Rochester Hills unique financial structure, and finally by tailoring the most relevant of best practices researched into a comprehensive policy intended to serve the City in the future.

The revisions to the Governmental Fund Balance Policy were presented to the Strategic Planning and Policy Technical Review Committee first in February and then again in May. Through thoughtful and productive discussion, the Committee feels this proposed policy clearly and transparently defines the City's strategic intent regarding the management of prudent fund balance reserves moving forward.

In summary the updated Governmental Fund Balance Policy calls for:

- Fund Balance target ranges for the following funds:
  - General Fund 70-80% of annual operating expenditures
  - Local Street Fund 20-25% of annual expenditures \*
  - \* = Including capital outlay (as there is an annual capital program)
  - Fire Operating Fund 20-25% of annual operating expenditures
  - Special Police Fund 20-25% of annual operating expenditures
  - Pathway Maintenance Fund 20-25% of annual operating expenditures
  - Green Space Operating Fund 20-25% of annual operating expenditures

