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CITY OF ROCHESTER HILLS

**F**iscal

Julie Jenuwine, Finance Director

DATE: March 14, 2008

TO: City Council Members

RE: Financial Policies & Forecast

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Financial polices are established in an effort to guide the budget process, focus discussion and improve decision making by providing clear, agreed-upon parameters for the City administration. The City Council reviewed the policies and forecast/outlook on March 10 to ensure their continued relevance and also to identify any gaps that need to be addressed with *new* policies. This memo serves as a follow-up to City Council's review and discussion of financial policies and forecast in preparation for the FY2009 budget process.

Specific suggestions offered by City Council re financial policies:

- ❖ Eliminate the 0.1000 mill General Fund transfer to the Capital Improvement fund for FY2009
- ❖ Eliminate the 0.1000 mill General Fund transfer to Major Road Fund.  
{*Administration recommends to keep this transfer of 0.1000 mill, as it is demonstrated in the forecast that this funding is needed to support Local, State and Federal programs, and these projects are a high priority for our residents based on the OU survey results.*}
- ❖ Temporarily cease the collection of future replacement costs for the assets held in the Facilities Fund for FY2009 and possibly additional years, depending on the City's future financial condition.  
{*Administration would like to suggest that the collection be phased out by 25% in FY2009, if necessary 50% the second year and 75% the third year but phase back when the economic outlook has improved.*}
- ❖ Add the word "operating" to the Budget Adjustment policy, so that the authority to *adjust* is given for operating budgets only (not capital).

Specific suggestions offered by City Council re the forecast:

- ❖ Concern was expressed regarding the healthcare cost increase assumption as being too low.  
{*Currently the forecast assumes 15% for 2009 and 10% increase each year thereafter. The last six years of actual increases averaged much less than 10% annually therefore at this time the administration feels the assumption is conservative.*}

The administration requests that each City Council member consider and respond as to how they feel regarding the above items. These comments will be accumulated and distributed to City Council for further discussion in preparation of the FY2009 budget.

