
CITY OF ROCHESTER HILLS

Fiscal

Julie Jenuwine, Finance Director

DATE: February 1, 2006

TO: Financial Services Committee

RE: W&S Funds Structure

The purpose of this discussion is to request Financial Services Committee (FSC) to reconsider the Water and Sewer fund structure under Ordinance 102-64, which was amended last year.

Last year the FSC forwarded a recommendation to City Council to approve an amendment to Ordinance 102-64 (Utilities - Fund structure). I had recommended to FSC to eliminate the *Receiving Fund*, *Replacement Fund* and *Surplus Fund* called for in the former ordinance. The recommendation also included establishing the policy of transferring (for future capital expenditures) an amount equal to annual depreciation out of the Operating & Maintenance Fund, along with transferring the annual Capital & Lateral revenue to the *Improvement Fund*. The FSC recommended to City Council, the elimination of the *Receiving Fund* and *Surplus Fund*, (the *Replacement Fund* was kept) and the acceptance of the transfer policies.

I would like to discuss merging of the *Replacement Fund* and *Improvement Fund* again, due to the increase of foreseen problems with maintaining the two separate funds.

Also, I would like to recommend modifying the ordinance language to indicate that revenues from the water and sewer disposal system shall first be set aside to pay any principal and interest on debt that may have been issued for the system, in accordance with any applicable bond covenants. Currently, the ordinance calls for revenues to be first set aside to provide the administration and operation of the system.

The Committees discussion and consideration of this matter is greatly appreciated.