



**City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS**

**1000 Rochester Hills Dr.
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Legislative File No: 2006-0115

TO: Mayor and City Council Members

FROM: Julie Jenuwine, Finance Director

DATE: May 26, 2006

SUBJECT: **Water & Sewage Funds Structures** - First Reading to amend Ordinance Section 102.64 of Article II, Utilities, of Chapter 102, Utilities of the Code of Ordinances of the City of Rochester Hills and repeal conflicting ordinances.

REQUEST:

Request that City Council accept the first reading of an Ordinance to amend Section 102.64 of Article II, Utilities, of Chapter 102, Utilities, of the Code of Ordinances of the City of Rochester Hills, Oakland County Michigan, to modify the Water and Sewage related fund structures and repeal conflicting ordinances.

BACKGROUND:

The purpose of this item is to request that City Council reconsider the Water and Sewer funds structures 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* and *Improvement Funds* were kept) and the acceptance of the transfer policies. I would like to discuss merging of the *Replacement Fund* and *Improvement Fund* again (combined to be called *Capital Fund*), 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 purpose of the request for the modification of separate funds, is to create a *working* fund structure to distinguish accumulated savings for future capital improvements/replacements, from the daily operations of the business/utility. This separation will hopefully set a structure that will assist with the prevention of water and sewage capital monies being used to subsidize the operating expenses.

This proposed restructuring has been discussed with the Financial Services Committee and a City Council workshop a few months ago.

RECOMMENDATION:

Recommend that City Council accept the first reading of an Ordinance to amend Section 102.64 (as attached) of Article II, Utilities, of Chapter 102, Utilities, of the Code of Ordinances of the City of Rochester Hills, Oakland County Michigan, to modify the Water and Sewage related fund structures and repeal conflicting ordinances.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Council Liaison		