



# Rochester Hills Agenda Report

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**File Number: 2006-0115**

<b>File Number:</b> 2006-0115	<b>File Type:</b> Ordinance	<b>Status:</b> For Introduction
<b>Version:</b> 1	<b>Reference:</b>	<b>Controlling Body:</b> City Council Regular Meeting
<b>Requester:</b>	<b>Cost:</b>	<b>Introduced:</b> 02/01/2006
<b>File Name:</b> Chapter 102, Utilities (Water & Sewer) Ordinance Change		<b>Final Action:</b>

**Title:** Acceptance for First Reading - An Ordinance to amend Sections 102-61 through 102-64 of Chapter 102, Utilities, of the Code of Ordinances of the City of Rochester Hills, Oakland County, Michigan, to review the fund structure for Water and Sewage Disposal System Revenues, and to Repeal Conflicting Ordinances

**Notes:**

**Code Sections:**

**Agenda Date:**

**Indexes:**

**Agenda Number:**

**Sponsors:**

**Enactment Date:**

**Attachments:** Agenda Summary.pdf, Ordinance Amendment Chapter 102.pdf, Ordinance re fund structures.pdf, Memo FSC to reconsider fund structure.pdf

**Enactment Number:**

## History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Financial Services Committee	02/09/2006	Discussed				
	<b>Notes:</b> <i>Julie Jenuwine, Finance Director, requested Financial Services Committee to consider changing Chapter 102, Utilities (Water &amp; Sewer) Ordinance noting the following:</i>						
	* <i>In 2005 Ms. Jenuwine requested a change in the Utility Ordinance and Fund Structure.</i>						
	* <i>Originally Utility Ordinance had six (6) funds which were not all utilized.</i>						
	* <i>It was requested to reduce the six (6) funds down to three (3) funds.</i>						
	* <i>Financial Services Committee agreed to reduce the Utility Ordinance to four (4) funds.</i>						
	* <i>City Council recommended the following:</i>						
	* <i>Operations/Maintenance Fund (daily operations)</i>						
	* <i>Capital Replacement Fund (future infrastructure replacement)</i>						
	* <i>Bond Redemption Fund (pay off water/sewer bond debt)</i>						
	* <i>Capital Improvement Fund (revenue received from developers)</i>						

\* Reducing down to three (3) funds would be accomplished by combining the Replacement and Improvement Funds.

Ms. Jenuwine's reasoning behind this request was noted:

- \* What is considered a Replacement and what is considered an Improvement
- \* Funding levels between the two (2) funds would vary greatly
- \* Capital Improvement Fund would decrease due to City's maximum Development
- \* Capital Replacement Fund would continue to increase with annual depreciation monies
- \* Combining the Improvement Fund with Replacement Fund would prevent disputes over project funding.

\* Additional Accounting Department issue is separating existing assets by determining what goes into the Improvement or Replacement Funds.

Ms. Jenuwine reiterated that this request is asking Financial Services Committee to consider making a decision and then Ms. Jenuwine would bring this item to City Council in late May or early June along with Water and Sewer rates that go to City Council.

Ms. Pam Lee, City Accountant, stated that she would not transfer assets until after the City audit in March and therefore concurred with Ms. Jenuwine.

1	Financial Services Committee	03/09/2006	Approved and Referred	City Council Regular Meeting	Pass
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**Notes:** Julie Jenuwine, Finance Director, discussed Chapter 102, Utilities (Water & Sewer) Ordinance Changes noting the following:

Ms. Jenuwine's first request and/or recommendation is due to operational difficulties for Finance and Accounting Departments, recommendation is to reduce Ordinance from four (4) funds to three (3) funds by combining the Capital Replacement Fund and Capital Improvement Fund. Her reasoning is that the Capital Replacement fund will continue to increase with annual depreciation while the Capital Improvement Fund will decrease with less capital and charges coming in or declining revenues.

Ms. Jenuwine's second request and/or recommendation is to have the Bond Interest and Redemption Fund be first noting the following:

\* Current Ordinance reads City will set rates first to take care of operations, such as salaries, then reads Replacement and then reads Bond.

\* When the City Bonds, the requirements of the Bond Covenant indicates that the City's first dollar should be put towards the Bond first to obtain a good rating status and that this request/recommendation to change the Ordinance demonstrates that the City is going to pay first dollar to Bonds.

Roger Rousse, DPS Director, expressed concern with over funding and the perception of the residents who stated in the past that they prefer a "pay as they go".

It was mentioned that it was City Council and not the residents who decided that the past surplus of monies collected should be dispersed by subsidizing water rates.

Ms. Jenuwine stated that funds are reviewed and evaluated annually to make sure they are appropriate fund balances. She further stated that what is currently being collected for the Capital Replacement/Improvement Fund, City will not be over funded and until a Policy is developed on how to use the Capital Replacement/Improvement Fund that small projects under \$1 million will be paid for in cash while larger projects over \$1 million will bond.

\* *Approximately \$5.5 million comes in for depreciation annually.*

*Consensus of Committee to recommend Ordinance changes moved to City Council for their approval.*

Aye: Ambrozaitis, Atkinson, Holder, Rea and Yalamanchi

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**Text of Legislative File 2006-0115**

..title

Acceptance for First Reading - An Ordinance to amend Sections 102-61 through 102-64 of Chapter 102, Utilities, of the Code of Ordinances of the City of Rochester Hills, Oakland County, Michigan, to review the fund structure for Water and Sewage Disposal System Revenues, and to Repeal Conflicting Ordinances

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Resolved that an Ordinance to amend Sections 102-61 through 102-64 of Chapter 102, Utilities, of the Code of Ordinances of the City of Rochester Hills, Oakland County, Michigan, to review the fund structure for Water and Sewage Disposal System Revenues, and to Repeal Conflicting Ordinances, is hereby accepted for First Reading.