



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

**1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org**

Legislative File No: 2005-0379

TO: Mayor and City Council Members

FROM: Julie Jenuwine, Finance Director

DATE: May 23, 2005

SUBJECT: **Water & Sewage Fund 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:

Currently, the City's general and budget ledgers operate with one Water & Sewer Fund, consisting of two departments (Water department and the Sewer department). All operating and capital revenues and expenses are accounted for and budgeted in this one Fund. City Ordinance 102.64 calls for the use of six individual Funds to account for water and sewage disposal Enterprise transactions. The 1999 Water & Sewer Report from consultants Black & Veatch recommends something very similar to the Ordinance.

It is recommendation that Ordinance 102.64 be amended to eliminate the Receiving Fund and Surplus Fund, two of the six funds. As an alternative to having a Receiving Fund, the Operating and Maintenance Fund would receive all operating revenues, as it does now. The Surplus Fund will not exist, as surplus monies can be transferred to the Replacement Fund or the Improvement Fund.

Capital & Lateral revenues will be received in the Operating and Maintenance Fund but transferred to the Improvement Fund on a periodic basis. This redirection of capital revenue to an Improvement Fund (rather than offsetting operating expenses with capital revenue) will hope to help save for future replacement of infrastructure and other capital needs. Monies equivalent to annual depreciation of the system will also be transferred to the Replacement Fund from the Operating and Maintenance Fund.

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 day-to day operations.

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 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		