



Leanne Scott <scottl@rochesterhills.org>

SAVER agenda topic

3 messages

Theresa Mungiolit <mungiolit@rochesterhills.org>

Sun, Feb 22, 2026 at 10:16 PM

To: Joe Snyder <snyderj@rochesterhills.org>, Leanne Scott <scottl@rochesterhills.org>

Joe,

I understand the premise for the SAVER account, I don't understand why we need to add another fund. How does adding the fund protect our CIP? How does it "*capitalized using the City's prior-year General Fund operating surplus achieved through conservative fiscal management*"? I was not aware that our current financial structure/account set up does not do this. I need help understanding why this is needed.

Is this setting up an additional contingency fund? Does it apply to all city projects or are there exceptions?

Is there an example of where could have used this previously?

Is there an example where a project was negatively impacted because this did not exist?

How will the first year be funded? Where is the money coming from? Does this impact other projects?

When do we "determine the prior fiscal year's surplus"? What happens to projects that need the money before this determination?

Why do we need a fund when we could prioritize other funds to cover overruns?

What happens to the money that is not spent? What do we do with the prior fiscal years surplus when we don't have this fund?

I probably have more questions based on these answers. Thank you for helping me to understand this new process.

Theresa Mungiolit

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 Joe Snyder <snyderj@rochesterhills.org>

Mon, Feb 23, 2026 at 4:33 PM

To: Theresa Mungiolit <mungiolit@rochesterhills.org>

Cc: Leanne Scott <scottl@rochesterhills.org>, Bryan Barnett <barnettb@rochesterhills.org>

Good afternoon,

Sorry for the delayed response, it's been a busy day and I wanted to provide as full and thorough a response as possible.

1) I understand the premise for the SAVER account, I don't understand why we need to add another fund. How does adding the fund protect our CIP?

- We are not creating a new legal Fund. Per Section 3.1 of the Policy, the SAVER Reserve is proposed as a "Committed" Fund Balance classification *within* the existing Capital Improvement Fund (CIF).

- Currently, funds in the CIF are classified as "Assigned" for all projects. While available, they are commingled with funding designated for current and future years.

- This proposal "Commits" a portion of that existing balance specifically for current year volatility. It is an accounting designation, not a new bank account. It organizes our savings into two buckets: a "Safety Bucket" (SAVER) for protecting active projects, and a "Growth Bucket" for funding new ones.

2) How does it "capitalized using the City's prior-year General Fund operating surplus achieved through conservative fiscal management"? I was not aware that our current financial structure/account set up does not do this. I need help understanding why this is needed.

- You are correct that our current practice transfers General Fund surplus to the CIF. Per our Fund Balance Policy, any funding above the General Fund's target range (leveling out at 35% next year) is transferred to the CIF annually.
- The SAVER Policy simply adds a structured priority to that existing transfer. Instead of the entire surplus flowing into the CIF's general "future projects" pool, the first \$2.5M is "Committed" to this reserve to ensure we can respond to inflationary spikes in the current year. It formalizes the protection of the present before we fund the future.

3) Is this setting up an additional contingency fund?

- It does not set up a separate Fund, but it does "Commit" \$2.5M of CIF Fund Balance as a contingency reserve. Importantly, unlike standard contingency, this is strictly restricted to external market forces uncontrollable by the City (Section 4.1). It cannot be used for scope changes or discretionary items.

4) Does it apply to all city projects or are there exceptions?

- It applies to capital projects, but with a strict "Means Testing" exception found in Section 5.0 (Inter-Fund Protocol).
- The SAVER Reserve acts as a Payor of Last Resort. Well-funded Restricted Funds (like Water & Sewer, Fleet, or Major Roads) must exhaust their own reserves first. This ensures General Fund surplus dollars are not subsidizing Enterprise Fund operations.

5) Is there an example of where could have used this previously?

- A recent example from FY 2025 is the Spencer Park Dock/Deck/Boat Launch. Bids came in over budget due to inflationary spikes.
- If the SAVER Reserve had been in place, the project could have requested funding SAVER Reserve funding to close the gap. Instead, the City had to rely on the fortunate timing of the Spencer Park Parking Lot project, which happened to be closing out with savings at the same time the higher bids were received. We were able to reallocate those savings in that instance, but we relied on "lucky timing" rather than a dedicated safety net.

6) Is there an example where a project was negatively impacted because this did not exist?

- Historically, we have managed to avoid project cancellations or project deferrals by scrambling to reallocate savings from other projects (like the Spencer Park example above). However, this approach relies entirely on the coincidence of one project finishing under budget when another project comes in over budget.
- If the Spencer Park Parking Lot had been completed the year prior, those budget savings would not have been available. We would have been forced to either request an increased appropriation or defer a future capital project to pay for the Dock/Deck/Boat Launch. The SAVER Policy removes this reliance on luck and institutionalizes the protection.

7) How will the first year be funded?

- For the initial setup, we are utilizing the favorable budget variance identified in the FY 2025 4th Quarter Budget Amendment, which contributed an additional \$3.0M from the General Fund to the CIF.
- We propose to "Commit" \$2.5M of this existing total. This does not require new tax dollars, nor does it take money away from current projects. It utilizes savings we have already secured from the prior fiscal year.

8) Where is the money coming from?

- The money comes exclusively from the annual General Fund surplus transfer to the CIF.

9) Does this impact other projects?

- No. It does not negatively impact any FY 2026 or projected FY 2027+ projects.
- In fact, it protects them. If an FY 2026 project hits an inflation spike, we can propose to draw from the SAVER Reserve rather than drawing from the budget of a future project. It solidifies the timing and sequence of the entire Capital Plan.

10) When do we "determine the prior fiscal year's surplus"?

- The figure is finalized as part of the 4th Quarter Budget Amendment (for the fiscal year ending Dec 31). This confirms the final amount transferred from the General Fund to the CIF each year.

11) What happens to projects that need the money before this determination?

Because the Reserve rolls over, the funds are available on January 1st (using the balance from the previous year). The "Top-Off" determination then occurs to refill the bucket back to the \$2.5M cap, ensuring there is no gap in coverage at the start of the year.

12) Why do we need a fund when we could prioritize other funds to cover overruns?

The SAVER Policy calls for "Committing" a \$2.5M cap within the CIF Fund Balance specifically for inflationary cost overruns of current year projects. This protects dollars previously prioritized for future projects as a cost overrun in the current year does not need to be made up by deferring future capital projects planned.

13) What happens to the money that is not spent? What do we do with the prior fiscal years surplus when we don't have this fund?

Unspent money stays in the SAVER Reserve. It rolls over to the next year to maintain the protection. Under this Policy, the surplus flows into SAVER Reserve *first* (until full at \$2.5M), and *then* the remainder flows to the general CIF pool exactly as it does today.

Hope this helps to answer your questions of the proposed SAVER Reserve Policy. Please let me know if you have any additional questions.

Thanks,

Joe



Innovative by nature

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