



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

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Legislative File No: 2009-0560

TO: City Council Members

FROM: Keith Sawdon, Director of Finance Ext 2535

DATE: December 11, 2009

SUBJECT: FY 2009 - 4th Quarter Budget Amendments

REQUEST:

We are requesting that City Council approve the Mayor's proposed 2009 budgeted fund totals and/or line-item changes for the funds listed on the attached resolution.

BACKGROUND:

As required by the State's Uniform Budgeting and Accounting Act and City Charter, Section 3.7, the Fiscal Service Office has prepared proposed budget amendments for the 4th quarter of the FY 2009 budget. **With the 4th quarter budget amendment, budgets, in total, are being decreased by \$6,793,440 (\$450,000 added to fund balances, \$3.4 million reduction in operating, \$3.6 million in capital project carryovers or reductions and \$95,000 in transfer reductions).**

The following discussion, by Fund, highlights the major adjustments we are proposing to those Funds:

In the **General Fund**, revenues are being reduced by just over \$642,000. There are two large adjustments accounting for most of this adjustment: \$225,000 less in State shared revenue and \$320,000 less in interest earnings. We have offset the reduced revenues with a corresponding reduction in expenditures of \$642,000. It should be noted that in the 2nd quarter budget amendment City Council authorized the funding of the City's Retiree Health Care Benefit liabilities for \$1.3 million dollars. Had the City NOT done that funding the General Fund would have ended the FY 2009 with \$1,260,000 less in expenditures and would have added to its Fund Balance vs. pulling from its Fund Balance. In the **Major Road Fund**, we are proposing revenues be reduced by \$920,000. There are two large adjustments accounting for most of this adjustment: \$880,000 less in anticipated FY 2009 reimbursement (80%) for Construction Engineering due to construction carryovers and \$180,000 less in interest earnings. We have offset the reduced revenues with a corresponding reduction in expenditures of \$920,000. The proposed reduction is mostly due to the carry over of capital projects to FY2010 (MR-04A: Walton Rehabilitation, Crooks Road Overlay [Star Batt-Hamlin], MR-09B: Technology Drive Realignment and MR-40: Tienken Corridor). In the **Local Street Fund**, we propose reducing revenues by \$139,000. The reduction represents less needed fund balance (\$109,000) and less interest earnings (\$30,000). The reduction in revenues is being offset with a reduction of expenditures. In that expenditure reduction is a proposed carryover of \$810,000 (LS-01: "2009" Local Street Asphalt Rehabilitation Program) and an increase of \$760,000 in fund balance to fund that carryover. In the **Fire Operating Fund**, revenues are being reduced by \$164,000. Two items account for a majority of the reduction. Charges for EMS services is being reduced by \$60,000 to bring it in line with what we believe will be actual for FY 2009 and interest earnings is being reduced by \$95,000. The reduction in revenues is being offset with reductions in expenses of \$164,000. In the **Tree Fund**, revenues are being reduced by \$26,000 to reflect lower increase earnings. Expenditures are being reduced to offset the reduction in revenue. In the **Drain Maintenance Fund**, revenues are being reduced by \$61,000 mostly due to changes being proposed in the use of fund balance and interest earnings. The reduction in revenues is being offset with reductions in expenditures of the same amount. In those expenditure reductions is a carryover to FY 2010 of \$160,000 for SW-09 Water Quality Basin Rehabilitation and an increase in wages of \$75,000 related to extra work performed on MS4 and Drain

regulatory compliance. In the **Green Space Fund**, revenues are being proposed to decrease by \$64,000 reflecting a decrease in expected interest earnings of \$60,000. The reduced revenue is being offset with reductions in expenses, including a reduction of \$279,000 to what was expected to be added to fund balance, \$35,000 less in appraisal fees and an increase of \$250,000 for a land purchase. We are proposing adjustments to our **Debt Service Funds** mostly due to the need to utilize more fund balance to offset interest earning shortfalls. In the **Fire Capital Fund**, we are proposing revenue decreases related to less interest earnings. The revenue reduction is being offset with a reduction in a planned capital expenditure. In the **Pathway Construction Fund**, we are proposing a reduction of \$995,000 in revenues mostly represented by less need of fund balance due to several construction projects being carried over to FY 2010 (PW-01:"2009" PW Rehab Program, PW-10: South Blvd (Crooks-Pine Trace) and SW-08B: Clinton River Trail way Restoration). In the **Capital Improvement Fund**, we are proposing that revenues be reduced by \$150,000. The revenue reduction is related to less fund balance needed to fund projects and less interest earnings. The reduction in revenues is being driven by the carryover, to FY 2010, of IS-07B: Records Management Implementation. In the **Water & Sewer Fund**, we are proposing a decrease in revenues of \$1,852,270 due to a decrease in water and sewer sales (less units being sold) and other reductions such as interest earnings. The reduced revenue is being offset with reductions in personnel related costs and less purchases of water and sewer treatment needs. In the **Facilities Fund**, we are proposing to reduce revenues by \$388,000 reflecting less use of retained earnings, lower interest earning and the receipt of \$642,700 in EECBG Federal Energy Enhancement Grant funding. The reduction in revenues is being offset with a reduction in expenditures representing better budget to actual performance and for the carryover of FA-02C: Fire Station #1 HVAC and the ADA Transition Plan. In the **MIS Fund**, we are proposing to reduce revenues by \$528,000 reflecting less retain earnings needed, less interest earnings and the carryover of IS-07B: Records Management Implementation which will now be funded in FY 2010. The revenue reductions are being offset with expenditure reductions of \$202,000 less in depreciation expense and the carryover of IS-07B: Records Management Implementation, IS-10B: CPU Network Upgrade and less funding needed to complete IS-07A: Records Management Analysis. In the **Fleet Fund**, we are proposing a reduction in revenues of \$718,000. The reduction in revenues is being driven mainly by the need to spend less than originally planned and the delay of some capital purchases (39-099: Vactor Jet Truck and 39-075: Tandem-Axle Dump Truck) which are being carried forward to FY 2010. In the **L DFA Fund**, we are proposing a revenue reduction of \$113,000 which is being driven by reductions in expenditures for PS-04 Branding & Marketing and FA-09: IT Infrastructure Capacity Funding which are being carried over to FY 2010. For more information related to all of the proposed budget adjustments, please see the enclosed Summary and Detail Schedules.

The enclosed budget amendment schedule shows the "Original Budget", the "Current Budget" and the *proposed* "4th Quarter Amended Budget" for each line-item change being proposed. A brief description for each request is provided in the "Explanation" column. The enclosed resolution provides the new requested fund total.

The Uniform Budgeting and Accounting also authorizes the City Council to permit the Mayor to execute *adjustments* to the budget within limits. Adjustments are intended to reduce the amount of insignificant budget amendments and allow for more efficient and uninterrupted City operations. Administrative adjustments are not intended to increase a Fund's total expenditures previously approved by the City Council. We have enclosed a list of administrative adjustments that were made in the 4th quarter.

If you should have any questions or need any additional information, please feel free to contact me.

RECOMMENDATION:

We recommend that City Council approve the Mayor's proposed 4th quarter amendments to the 2009 FY budget as outlined.

Attachments:

Budget Resolution

4th Qtr Budget Amendment Summary

Detail Schedule of proposed budget *amendments* by line-item

Administrative Adjustments

Public Hearing Notice