



City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS

1000 Rochester Hills Dr.  
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[www.rochesterhills.org](http://www.rochesterhills.org)

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Legislative File No: 2018-0263

**TO:** Mayor and City Council Members  
**FROM:** Joe Snyder, Chief Financial Officer, x2534  
**DATE:** June 18, 2018  
**SUBJECT:** Rochester-Avon Recreation Authority Deficit Elimination Plan

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**REQUEST:**

Request for the Rochester Hills City Council to approve the Rochester-Avon Recreation Authority (RARA) Deficit Elimination Plan.

**BACKGROUND:**

The Rochester-Avon Recreation Authority (RARA) Board was presented with RARA's December 31, 2017 Financial Audit Report at the June 13, 2018 RARA Board meeting. The Financial Audit Report indicated a deficit of (\$24,246) in the RARA Operating Fund as of December 31, 2017.

The State of Michigan Department of Treasury has informed the City of Rochester Hills that units of local government which end their fiscal year in a deficit condition are required to formulate a Deficit Elimination Plan and file with the Michigan Department of Treasury. Failure to submit a Deficit Elimination Plan in a timely basis could subject the City of Rochester Hills to have a 25% portion of its State Shared Revenue distribution withheld until the plan has been filed, evaluated, and certified by the Department of Treasury.

As RARA is a discretely presented component unit of the City of Rochester Hills, the City of Rochester Hills is the primary unit responsible for filing the Deficit Elimination Plan. Before the City can file the Plan, the Rochester Hills City Council must first approve the Deficit Elimination Plan. The RARA Board has approved the Deficit Elimination Plan at the June 13, 2018 meeting immediately after the Audit Presentation.

The City of Rochester Hills has been very active in working with RARA to quickly respond and identify the deficit situation, and actions have been taken to ensure that this situation does not occur again in the future. Actions taken include:

- Development and approval of a conservative and realistic RARA budget for FY 2018 with annual revenues exceeding annual expenditures by +\$150,000.
- As part of the upcoming FY 2019 Budget process, RARA will be presenting a 3-Year Budget Plan.
- Development and approval of a RARA Fund Balance Policy which intends to maintain a minimum fund balance reserve of 20% of annual operating expenditures.
- Preparation of a RARA Capital Improvement Plan (CIP) identifying capital project needs over the upcoming 7-Year Period.

It is currently conservatively anticipated that as of December 31, 2018 the Rochester-Avon Recreation Authority (RARA) will have a positive fund balance of approximately +\$126,025.

**RECOMMENDATION:**

Request for the Rochester Hills City Council to approve the Rochester-Avon Recreation Authority (RARA) Deficit Elimination Plan.

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APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
Deputy Clerk		