



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

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Legislative File No: 2006-0899 *Version III*

TO: Mayor and City Council Members
FROM: Julie Jenuwine, Finance Director 248.841.2535
DATE: October 26, 2007
SUBJECT: Designation of Fund Balance – Major Road Fund

REQUEST:

The purpose of this communication is a request for City Council consideration of the *designation* of fund balance in the Major Road Fund for future major road projects.

BACKGROUND:

It is my understanding that the City adopted and implemented a fifteen-year policy to transfer the equivalent of 0.5 mill from the General Fund to the Major Road Fund, recognizing the significant amount of major road costs on the horizon. This fifteen-year policy had sunset a few years ago. Currently, the City is transferring 0.1 mill to the Major Road Fund. The Major Road Fund will have an estimated fund balance of approximately \$12,340,000 at the end of FY2008.

By way of background, I first requested that City Council consider designating monies in the Major Road Fund fund balance near the end of FY2006 and made a recommendation to designate projects based on (highest) CIP ratings. At that meeting, the City Council decided to hold a work session to discuss the matter. In August of 2007, the City Council conducted a work session for further discussion of the Major Road Fund designation. The general comments from City Council indicated that the council would like to have the “Must Do” or “Mandated” projects designated. Based on that criteria the following would be designated:

MR-13B Dequindre Rd(Auburn Rd to South Blvd)	\$300,000
MR-01E Crooks Rd (Hamlin to M-59)	\$830,000
MR-01A Crooks Rd @ M-59 Interchange Improvements	\$800,000
MR-42A M-59 Widening (Crooks Rd to Dequindre Rd)	\$6,730,000
MR-02A Hamlin Rd (Crooks Rd to Livernois Rd)	\$1,280,000
MR-40 Tienken Rd Corridor Improvements	\$1,190,000
MR-18 Dutton Rd (W of Tall Oaks to Livernois Rd)	\$380,000
MR-14 Washington Rd Paving	<u>\$180,000</u>
	\$11,690,000

A forecast of estimated revenues, expenditures and fund balances for the next six years, assuming all the projects in the CIP are accomplished, has been included as **attachment A**. Note: MR-45 Northfield & Tan Industrial Reconstruction, MR-46 Industro Plex, and MR-51 Rochester Hills Drive were removed from the forecast and MR-43 Rain Tree reconstruction was moved from 2010 to 2013 in order to keep a positive fund balance.

A forecast of estimated revenues, expenditures and fund balances assuming only the “Must Do” or “Mandated” projects in the CIP are accomplished has been included as **attachment B**. Please notice the estimated fund balance to be approximately \$11,000,000 at the end of FY2013 on **attachment B**.

Should City Council decide not to designate a significant portion of the monies in Major Road Fund fund balance toward major road projects, I encourage City Council discussions regarding the use/intension of the Major Road Fund fund balance. Clarity with regard to the intended use of these funds may assist with the City’s future discussions concerning the Local Street Fund funding.

For clarity, a designation is considered as part of the *unreserved* portion of fund balance that merely indicates that the governing body and/or the administration have tentative plans concerning the use of all or a portion of the unreserved fund balance that is designated. A designation does *not* signify a ‘reservation’ (legal commitment) of funds.

BUDGET:

A designation is a balance sheet transaction and a budget amendment is not necessary

RECOMMENDATION:

Should the City Council wish to recognize a specific purpose for the significant fund balance (or any portion of the fund balance) in the Major Road Fund, then I recommend that City Council *designate* monies in the fund balance for certain future major road projects.

RESOLUTION

NEXT AGENDA ITEM

RETURN TO AGENDA

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Finance Director		
Purchasing Process: Supervisor of Procurement		
Mayor		
City Council Liaison		