



City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2026-0062

TO: Mayor and City Council Members
FROM: Joe Snyder, Chief Financial Officer, x2534
DATE: February 23, 2026
SUBJECT: Strategic Allocation for Variance & Economic Resilience (S.A.V.E.R.) Reserve Policy

REQUEST:

City Council is requested to adopt the attached Strategic Allocation for Variance & Economic Resilience (S.A.V.E.R.) Reserve Policy.

BACKGROUND:

To address the ongoing challenges of construction market volatility and supply chain inflation, the Administration recommends the adoption of the Strategic Allocation for Variance & Economic Resilience (S.A.V.E.R.) Reserve Policy. This policy formalizes a "financial shock absorber" designed to protect the City's Capital Improvement Plan (CIP) from unforeseen cost spikes. Importantly, the S.A.V.E.R. Reserve is not funded by new tax dollars; rather, it is capitalized using the City's prior-year General Fund operating surplus achieved through conservative fiscal management.

The Policy establishes strict "guardrails" to ensure fiscal discipline:

- **Permitted Uses:** Funds are strictly for external market factors uncontrollable by the City, including Market Volatility, Trade & Policy Impacts, and Unforeseen Site Conditions.
- **Payor of Last Resort:** Restricted funds (e.g., Water & Sewer or Fleet) must exhaust their own reserves before accessing this safety net.
- **Legislative Oversight:** Adoption of this Policy does not remove legislative oversight; City Council retains full authority to appropriate funds via the standard Budget Amendment process.

Adopting this Policy aligns Rochester Hills with Government Finance Officers Association (GFOA) best practices. It ensures business continuity by preventing the "stop-start" cycle where future projects must be deferred to cover immediate inflationary costs. This measure institutionalizes financial resilience, ensuring voter-approved projects are delivered on time and on budget.

RECOMMENDATION:

City Council is recommended to adopt the attached Strategic Allocation for Variance & Economic Resilience (S.A.V.E.R.) Reserve Policy.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		

Mayor		
City Clerk		

Contract Reviewed by City Attorney Yes N/A