CITY OF NOVI CITY COUNCIL
JANUARY 22, 2024

SUBJECT: Approval of resolution to authorize Budget Amendment #2024-3

SUBMITTING DEPARTMENT: Finance

BACKGROUND INFORMATION:

The City's annual budget is adopted by the third Monday in May each year and is effective July 1st each year. The budget is adopted at a function level (vs. line item). In accordance with the State Budget Act, budget amendments are completed throughout the fiscal year to reflect the most current information available related to revenue and expenditure budgets. Budget amendments that have a positive or negative impact on fund balance or change the function total are prepared for Council approval. Amendments between line-items within the same budget function (that do not have any impact on fund balance) are managed at the administration level. The amendments are based on actual and projected activity-to-date.

The second quarter budget amendment resolution and budget amendment detail are attached. The following is a summary of the significant items proposed within this amendment:

GENERAL FUND

This budget amendment reflects a $318,500 decrease to the General Fund fund balance and keeps the fund within Council set limits. The fund balance will have a projected balance of $9,638,640 with revenues increasing by $312,550 and expenditures increasing by $631,080. The following are highlights of some of the significant items included in the proposed budget amendment:

Revenues:

- State Sources– Increase in the amount of $59,150 to reflect anticipated additional revenues to be received related to election reimbursements, police training grants, and personal property tax reimbursements.

- Federal Sources – Increase in the amount of $46,200 for the City's contract to perform accounts payable services for HIDTA.

- Licenses, Permits, and Charges for Services – Increase related to public safety overtime related to the 14 Mile project with GLWA.

- Interest Income – The City continued to see actual interest earnings at very high levels over the past quarter due to prior increases in Federal interest rates. The interest rate increases by the Fed have leveled off during the last quarter, which has also resulted in the recovery of some of the unrealized losses incurred over the past year. Based on the current interest rate environment, finance anticipates additional favorable results over the remining two quarters of the fiscal year.

Appropriations:

- Personnel Services – The proposed increases in personnel services are due to changes in employment contracts for the City Manager, Assistant City Manager and City Clerk. In addition, unexpected police retirements as well as overtime at the 14 Mile GLWA project were unbudgeted. During fire negotiations, the defined contribution percentage of payroll increased over and above what was budgeted.

- Two projects listed in the proposed budget were deemed emergencies and not budgeted in the current year: fire station #2 and #3 generators for $163,500 and $155,000 for repairs to a fire truck. The current generators were discovered to not have enough power to service the entire buildings and replacements were needed to ensure emergencies services were available during power outages. In addition, with the delays in the delivery of the new trucks, fire opted to pay the $155,000 and have the fire truck repaired rather than not have it available for service. Fund balance will be decreased due to these projects.

- Capital Outlay – Proposed decrease in the transfer to the Capital Improvement Fund is to fund new capital improvement projects proposed during the fiscal 2024-2025 budget process. These projects were identified as urgent projects and moved forward to the fiscal year 2023-2024. The projects include aerial imagery subscription, wide area mower, woodchipper, SRT night goggles, public, field retroreflector sign shop, an enclosed ATV trailer, and woodland and wetland map updates.

PARKS, RECREATION, AND CULTURAL SERVICES FUND

The budget amendment proposes a decrease to the fund balance of $85,975 while maintaining the fund balance limit set by City Council. Similar to the General Fund, two projects were proposed for the fiscal year 2024-2025 budget year but were deemed a priority and moved forward to fiscal year 2023-2024. These projects include fiber and cameras at the building on site at Bosco Fields as well as a building generator at Bosco. The Parks and Recreation Fund increased their fund balance by $491,210 for the year-ending June 30, 2023, to approximately $1,694,000 and will be using a small part of that increase to support the proposed two capital expenditures.

Corridor Improvement Authority

Property tax revenue has increased slightly, from original tax reports. The total increase to both revenue and fund balance is $66,960.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2024-3