CITY OF NOVI CITY COUNCIL
JANUARY 23, 2023

SUBJECT: Approval of resolution to authorize Budget Amendment #2023-3.

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 net zero effect to General Fund balance and keeps the fund within Council set limits. Therefore, the fund balance will remain at the projected balance of $13,849,694 with revenues and expenditures each increasing $288,430. The following are highlights of some of the significant items included in the proposed budget amendment:

Revenues:

- Property Tax Revenue - Increase in the amount of $100,000 to reflect actual billings per the July 1, 2022, tax roll and less than anticipated chargebacks to date from tax appeals.

- State-Shared Revenue – Increase in the amount of $258,550 to reflect anticipated additional revenues to be received over and above the amended budget based on the current estimate from the State of Michigan Department of Treasury.

- Building Permit Revenue – Decrease in the amount of $132,620 as building activities continue to be negatively impacted by higher interest rates due to inflation and higher material costs. Supply chain issues including workforce shortages and products/goods/material shortages have been ongoing since the onset of the COVID pandemic and revenues are still not rebounding as quickly as anticipated.

Appropriations:

- Personnel Services – Increase in the amount of $146,900 including reimbursable costs in the amount of $35,400 for election-related and TIA grant related expenditures. Personnel services expenditure budgets also increased to cover final leave time payouts ($32,000), increased election-related part-time staffing ($20,000), increase in the use of community relation part-time personnel ($20,000), TIA grant overtime ($15,400), and net increase in insurance costs ($59,500) from personnel changes.

- Other Services and Charges – Increase in the amount of $136,040. Other Services and Charges expenditure budgets were increased primarily related to election worker staffing needs ($33,030), human resource-related legal fees and professional services for ongoing negotiations and arbitration (38,000), and contractual services for private development site plan reviews during DPW position vacancies ($45,600).

- Capital Outlay – Zero net effect to fund balance. Light-duty vehicle expenditure budgets need to be reallocated between departments to cover increased pricing and lack of availability of certain models. The challenging global automotive environment was communicated to City Council back in August/September 2022 in anticipation of inventory limitations and increases in model year pricing.

MAJOR, LOCAL AND MUNICIPAL STREET FUNDS

The Local Street Fund expenditure budget related to the Industrial Business Parks Road Rehabilitation Project in the amount of $460,000 was moved to the Major Street Fund since the State has approved the streets as major instead of local for ACT 51 purposes. Also, $11,600 in local community stabilization revenue needs to be recognized which offsets anticipated increases in sidewalk/maintenance expenditures. To keep the Major, Local, and Municipal Street Funds within Council set limits, the amendment includes transfers between the three street funds as well.

PARKS, RECREATION, AND CULTURAL SERVICES FUND

The budget amendment proposes a net zero effect to fund balance by increasing revenue and expenditure budgets each by $170,500. A new Mackinaw Trip for seniors took place resulting in a need to increase both revenue and expenditure OAS travel program budgets by $50,000 each. Parks and recreation program revenues are trending higher than anticipated through the second quarter, so the budget amendment increases the revenue budget by approximately $117,000. The OAS transportation program is trending similar to last year, so the expenditure budget is being increased $50,000 to bring the budget in line with projected activity. Also, the capital expenditure budget is being increased due to a change in the model/type of vehicle being purchased.

DRAIN FUND / DRAIN PERPETUAL MAINTENANCE FUND

The Drain Fund revenue budget is being increased $505,580 to recognize actual property tax revenue in the amount of $17,100, the local community stabilization grant in the amount of $4,900, and the transfer in from the Drain Perpetual Maintenance Fund in the amount of $483,580. The actual bids from the Lake Shore Tunnel project came back higher than anticipated so the transfer in is needed to fund the project (the project is also being funded out of the CIP Fund).

FORFEITURE FUND

The Forfeiture Fund federal revenue and expenditure budgets are being increased by $78,530 each with a zero net effect to fund balance to bring the revenue budget in line with actual activity to date.

SELF INSURANCE - HEALTH CARE FUND

The budget amendment proposes a net zero effect to fund balance by increasing the insurance revenue budget and claim expenditure budgets each by $1,205,000 to bring the budget in line with current and anticipated activity. The City is required to pay all claims first and is then reimbursed for all claims over the stop-loss deductible amount of $100,000.

RETIREE HEALTH CARE BENEFITS FUND

The budget amendment proposes a decrease to fund balance in the amount of $150,000 based on higher than anticipated retiree insurance costs-to-date.

RECOMMENDED ACTION: Approval of Resolution to Authorize Budget Amendment #2023-3