Mayor and Council –

FYI – confirming adjustments made during the most recent budget session for FY 24/25.

- Victor

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TO: VICTOR CARDENAS, CITY MANAGER

FROM: CARL JOHNSON, CPA, CFO

SUBJECT: CITY COUNCIL BUDGET SESSION RECAP – APRIL 17, 2024

DATE: APRIL 23, 2024

At the City Council Budget Session held on Wednesday, April 17, 2024, City Council discussed the Recommended FY 2024-25 Budget and provided an adjustment to the proposed budget through one approved motion which is summarized below:

- **Motion 1:** The proposed budget had the General Funds' share of the salt dome being paid from fund balance. The City Council approved the funding of the salt dome project to be funded 50% from the Drain Fund, 25% from the General Fund, and 25% from the Major Street Fund. Estimated cost of salt dome is $1,684,200. The General Funds share of the costs will be paid from costs savings of deferring the Civic Center Generator replacement project originally proposed in FY 24/25. The adjustments to the four funds impacted by the salt dome funding changes are included in the attached adjustments.

- **Motion 2:** Additional General Fund expenditure adjustments, as proposed by the City Manager, approved and budget to move forward to public hearing on May 6, 2024 (already has been advertised) and formal approval on May 6th or May 20th.

Subsequent to the proposed budget being delivered to the Mayor and City Council, significant changes were made to the older adults' senior transportation program. The impact of these changes including the loss of SMART ridership credit revenue, reduction of payroll costs for drivers and schedules, ride subsidies to Peoples Express and other related revenue and expenditure changes are not reflected in the attached budget changes. A separate budget amendment will be brought forward in July 2024 for approval once all the final details have been worked out in the coming months.

City of Novi - General Fund

	2023-24		2024-25	2025-26	2026-27
Per Original Budget Document					
Total Revenues	$ 41,548,527		$ 43,186,528	$ 45,220,574	$ 46,351,837
Total Appropriations	44,855,281		44,115,338	45,220,574	46,351,837
Net Revenues (Appropriations)	(3,306,754)	A	(928,810)	-	-
Beginning Fund Balance	14,445,394		11,138,640	10,209,830	10,209,830
Ending Fund Balance	11,138,640		10,209,830	10,209,830	10,209,830
Fund balance as a % of expenditures (council set goal: 22-25%)	**25%**		**23%**	**23%**	**22%**

Proposed Budget Adjustments

	2023-24	2024-25		2025-26		2026-27
Appropriations						
Move 100% of salt dome to Major Streets/Drain Fund	-	(928,810)	B			
Revised salt dome cost allocation to General Fund		421,048	B			
Remove the following vehicle purchases:						
LDV030 LDV w/ Plow 695 - DPW Field Oper	-	(78,980)	E			
LDV028 Pool Vehicle 148 - City Hall	-	(34,950)	E			
LDV029 Pool Vehicle 149 - DPW		(34,950)	E			
LDV027 LDV 145 - Assessing	-	(34,950)	E			
LDV038 Vehicle - IS FM (501)		(34,950)	E			
LDV031 LDV w/Plow 647 - IS Parks Maint		(78,980)	E			
LDV037 LDV 142 - CD Planning		(40,490)	E			
LDV035 LDV 629 - DPW Eng		(34,950)	E			
Not fill Plan Examiner position in community development		(110,411)	C	(113,723)		(117,135)
Not fill vacant Economic Director position		(138,000)	C	(142,140)		(146,404)
Remove proposed new business & accreditation coordinator		(78,908)	C	(81,275)		(83,713)
Delay Civic Center Generator Replacement to 27/28		(440,640)	F			
Remove proposed new police training officers (2) positions				(220,680)	C	(227,300)
Remove proposed new fire inspector and fire assistant training officer positions				(223,820)	C	(230,534)
Unspent budget amounts at year-end - all departments				(150,000)	G	(150,000)
Remove OAS position	(250,000)					
Eliminate 50% of General Fund transfer to the EDC	(25,000)	(25,000)	D	(25,000)		(25,000)
Total appropriations increase (decrease)	(275,000)	(1,673,921)		(956,639)		(980,087)
Net increase (decrease) to fund balance	(275,000)	(1,673,921)		(956,639)		(980,087)

Revised Proposed Budget

	2023-24	2024-25	2025-26	2026-27
Total Revenues	$ 41,548,527	$ 43,186,528	$ 45,220,574	$ 46,351,837
Total Appropriations	44,580,281	42,441,417	44,263,935	45,371,750
Net Revenues (Appropriations)	(3,031,754)	745,111	956,639	980,087
Beginning Fund Balance	14,445,394	11,413,640	12,158,751	13,115,390
Ending Fund Balance	11,413,640	12,158,751	13,115,390	14,095,476
Fund balance as a % of expenditures (council set goal: 22-25%)	**26%**	**29%**	**30%**	**31%**

Notes

A The amended budget for FY 23/24 represents approximately $3,134,500 of capital expenditures from FY 22/23 that were not purchased in FY 22/23 but rollover to be purchased in 23/24. In addition, $250,000 for the new fire contract wages, $251,000 for MERS transfer policy, $40,000 for fire radio replacement and $318,000 for fire truck repairs and emergency generators at two fire stations. The original adopted budget had a use of fund balance of $813,000 and the projected year-end rollovers are estimated at $1.5 million.

B Original estimated General Fund cost of the salt dome was $928,810. Per Councils direction at the second budget session held April 17, 2024, 50% of the final estimated cost of $1,684,200 is to be funded by the Drain Fund, 25% the General Fund, and 25% Major Street Fund. Revised General Fund share to be paid from savings noted in F below.

C Cost includes salary and fringe benefits

D Reduce transfer of funds out to the Economic Development Fund but to maintain funds to cover the year to date costs of the Economic Development Department. The annual levy of $50,000 a year is used to promote economic development within the City.

E Skip a year in the current 5 year pooled vehicle and 7 year light duty truck replacement programs

F Delay replacement of generators beyond recommended useful life to the 27/28 fiscal year

G City Council a few years ago directed the administration to use all ~~year-end unspent funds~~ for capital outlay rather than making extra pension contributions. All unspent balances annually will now just fall to fund balance and not be used for capital

City of Novi - Major Streets Fund		2023-24	2024-25	2025-26	2026-27
Per Original Budget Document					
Total Revenues		$ 7,003,738	$ 9,102,289	$ 6,459,638	$ 8,365,989
Total Appropriations		11,747,878	9,338,289	5,985,638	8,884,989
	Net Revenues (Appropriations)	(4,744,140)	(236,000)	474,000	(519,000)
Beginning Fund Balance		5,919,485	1,175,345	939,345	1,413,345
Ending Fund Balance		1,175,345	939,345	1,413,345	894,345

Proposed Budget Adjustments		2023-24	2024-25		2025-26	2026-27
Appropriations						
Reduce the budget for #2 in the CIP (Beck Rd) as it will be included in bonding			(421,048)			
Revised salt dome cost allocation to Major Street Fund		-	421,048	B		
	Total appropriations increase (decrease)	-	-		-	-
	Net increase (decrease) to fund balance	-	-		-	-

Revised Proposed Budget		2023-24	2024-25	2025-26	2026-27
Total Revenues		$ 7,003,738	$ 9,102,289	$ 6,459,638	$ 8,365,989
Total Appropriations		11,747,878	9,338,289	5,985,638	8,884,989
	Net Revenues (Appropriations)	(4,744,140)	(236,000)	474,000	(519,000)
Beginning Fund Balance		5,919,485	1,175,345	939,345	1,413,345
Ending Fund Balance		1,175,345	939,345	1,413,345	894,345
	Fund balance as a % of expenditures (council set goal: 22-25%)	**10%**	**10%**	**24%**	**10%**

B General and Major Street to cover 25% each of the cost of the salt dome.

City of Novi - Drain Fund

	2023-24	2024-25	2025-26	2026-27
Per Original Budget Document				
Total Revenues	$ 5,328,267	$ 4,952,264	$ 3,117,001	$ 3,183,878
Total Appropriations	5,857,446	4,952,264	3,117,001	3,183,878
Net Revenues (Appropriations)	(529,179)	-	-	-
Beginning Fund Balance	529,179	-	-	-
Ending Fund Balance	-	-	-	-

Proposed Budget Adjustments	2023-24	2024-25		2025-26	2026-27
Revenues					
Transfer in from Drain Perpetual Care Fund	-	842,096			
Appropriations					
Revised salt dome cost allocation to Drain Fund	-	842,096	B		
Total appropriations increase (decrease)	-	842,096		-	-
Net increase (decrease) to fund balance	-	-		-	-

Revised Proposed Budget	2023-24	2024-25	2025-26	2026-27
Total Revenues	$ 5,328,267	$ 5,794,360	$ 3,117,001	$ 3,183,878
Total Appropriations	5,857,446	5,794,360	3,117,001	3,183,878
Net Revenues (Appropriations)	(529,179)	-	-	-
Beginning Fund Balance	529,179	-	-	-
Ending Fund Balance	-	-	-	-

B 50% of the total cost of the salt dome were to be paid by the Drain Fund (adjust Drain Perpetual Care Transfer)

City of Novi - Drain Perpetual CareFund

	2023-24	2024-25	2025-26	2026-27
Per Original Budget Document				
Total Revenues	$ 81,000	$ 135,000	$ 435,000	$ 395,000
Total Appropriations	2,475,467	1,935,000	-	-
Net Revenues (Appropriations)	(2,394,467)	(1,800,000)	435,000	395,000
Beginning Fund Balance	6,987,251	4,592,784	2,792,784	3,227,784
Ending Fund Balance	4,592,784	2,792,784	3,227,784	3,622,784

Proposed Budget Adjustments

	2023-24	2024-25		2025-26	2026-27
Appropriations					
Transfer to Drain Fund to cover salt dome costs	-	842,096	B		
Total appropriations increase (decrease)	-	842,096		-	-
Net increase (decrease) to fund balance	-	842,096		-	-

Revised Proposed Budget

	2023-24	2024-25	2025-26	2026-27
Total Revenues	$ 81,000	$ 135,000	$ 435,000	$ 395,000
Total Appropriations	2,475,467	2,777,096	-	-
Net Revenues (Appropriations)	(2,394,467)	(2,642,096)	435,000	395,000
Beginning Fund Balance	6,987,251	4,592,784	1,950,688	2,385,688
Ending Fund Balance	4,592,784	1,950,688	2,385,688	2,780,688

B 50% of the total cost of the salt dome were to be paid by the Drain Fund (adjust Drain Perpetual Care Transfer)