MEMORANDUM

Mayor and Council –

The first quarter revenue and expenditure report for your review. Please note at the end of this memo are two pages that shows the changes to the Fund Balance to reflect the current position, that goes along to the graph below.

- Victor

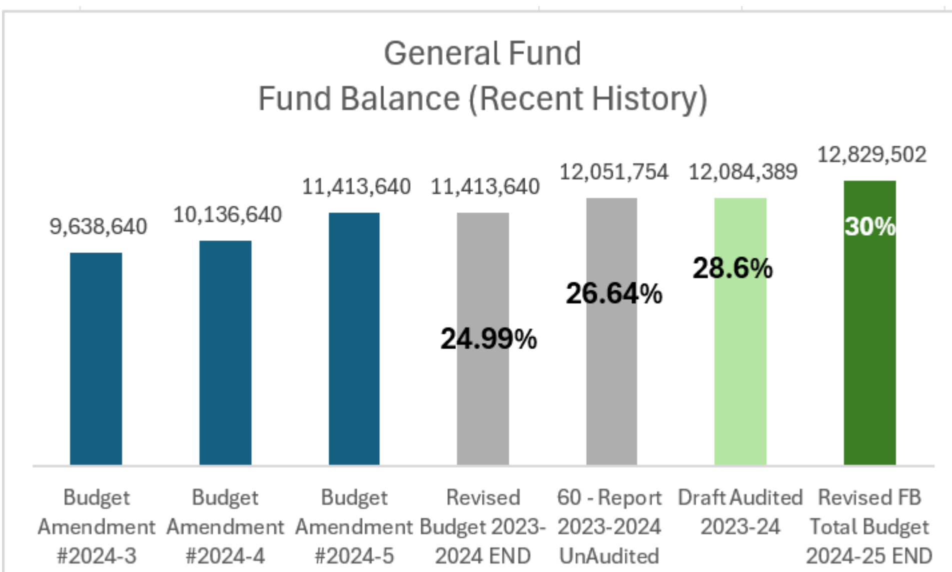
cityofnovi.org

TO: VICTOR CARDENAS, CITY MANAGER
FROM: CARL JOHNSON, JR. CFO
SUBJECT: FINANCIAL REPORT AS OF SEPTEMBER 30, 2024
DATE: OCTOBER 30, 2024

The purpose of this memorandum is to highlight fiscal year-to-date revenue and expenditure activity through the first quarter ending September 30, 2024 (see attached report for budget-to-actual information prepared by budget category within each fund). The fiscal year 2023-24 audit is completed, and the final printed report is planned to be officially released to the Mayor and City Council at the December 2, 2024 council meeting. The June 30, 2024, ending balances on the attached report are shown as "audited." The rollover and any other individual budget amendments approved through the October 28, 2024 council meeting are reflected in the attached report. Through the first quarter, generally, revenues and expenditures should represent approximately 25% of the budget.

General Fund

As noted previously there is no change to the General Fund fund balance (FB). However, it should be noted that the anticipated FB for the end of this fiscal year will now be closer to $13 million as the prior year ended $638,113 to the good.



Revenues
Total General Fund revenues for the first quarter are $31,161,309, representing 72% of the $43,336,228 General Fund amended revenue budget. The General Fund revenues are on track through the first quarter with the following items of note:

- Property Tax Revenue – Property taxes account for approximately 69% of total General Fund revenue. Revenue is recorded in July at the time property taxes are billed. Penalty and interest collections are less than budget by approximately $222,000 through the first quarter, which is to be expected since late payment penalty and interest collections are primarily received in the third and fourth quarter each fiscal year.

- Licenses, Permits, and Charges for Services – The City receives quarterly cable franchise payments in Oct/Nov, Jan/Feb, Apr/May, and Jul/Aug. The payments received in Jul/Aug were accrued to FY 2023-24 per accounting rules, therefore; the first quarter reflects no revenue as anticipated. Cable revenues are estimated to be approximately $193,750 per quarter. Building-related revenues are higher than the prior year's first quarter by approximately $75,000. The building revenues have been significantly impacted by COVID-19 the past couple years but have slowly begun to rebound back to pre-pandemic levels. Finance will continue to monitor this revenue and adjust the budgets as needed in future quarters.

- State Sources – State shared revenue is the City's second largest revenue source making up approximately 18% of the General Fund revenue. The City receives state shared revenue six times throughout the year (October, December, February, April, June, and August). The City has accrued the August 2024 payment to FY 2023-24 per accounting rules. The first quarter reflects no revenue as anticipated. The amended budget reflects the latest estimate from the State of Michigan for the current fiscal year.

- Fines and Forfeitures – Court Fees and Fines revenue is received from the 52nd District Court monthly for the prior month. The attached report reflects two payments received through the first quarter as expected: July and August. Revenues are relatively similar for the first quarter of fiscal year 2024 compared to the prior fiscal year's first quarter.

- Interest Income (including realized and unrealized investment gain/loss) – In an effort to maximize earnings potential, the City has strategically invested its excess cash. Public Act 20 governs the types of allowable investments the City can invest in. The Act was also created to ensure that operating cash can be invested only in specific financial instruments that are not at risk for loss of principal. Interest income citywide is running ahead of budgeted amounts through the first quarter with an overall income of more than 41% of budgeted amounts. The last federal fund rate adjustment was done in September 2024. Rates fell by 0.5% at stands at 4.75% to 5% and are expected to continue to decrease in 2025. The Feds are attempting to implement additional interest rate decreases over the next several months which could result in less favorable returns over the remainder of the fiscal year.

Expenditures
Total General Fund expenditures for the first quarter are $9,918,945 representing 23% of the $42,591,117 General Fund amended expenditure budget. While a few departments exceed 25% to date due to capital purchases or annual payments, expenditures in total have not exceeded the 25% mark and are in line through the first quarter with the following items of note:

- The City Clerk department is at 27% spending ratio due to the costs leading up the November Presidential election.
- The IT Department also has a 29% spending ratio due to annual subscription costs paid once a year in the first quarter.
- The Parks Maintenance Department's 29% spending is due to seasonal employment in the summer months.
- The City Attorney, Insurance, and Claims Department is 65% due to the payment of the Property and Liability Insurance bill of approximately $436,850 which is paid out annually during the month of July.

Special Revenue Funds

The various special revenue funds' revenues and expenditures are in-line with budget through the first quarter ending September 30, 2024. Items of note are included within certain Special Revenue Funds on the following pages:

Major, Local, & Municipal Street Funds
Property Tax Revenue is at the 100% mark in the Municipal Street Fund due to the recording of property tax revenue as of July 1st, at the time the tax bills are issued. As anticipated, Trunkline revenue in the Municipal Street Fund included in other revenue is less than budget due to the 2024 summer maintenance program (street sweeping) and the winter maintenance contract (snow and ice removal) with RCOC will be recorded during the second and third quarters. Construction and maintenance expenditures are on target through the first quarter during the summer/fall season. Maintenance costs will increase over the winter months and construction will pick up again throughout the spring/summer season.

Parks, Recreation, & Cultural Services Fund
Property Tax Revenue is at the 100% mark in the Parks due to the recording of property tax revenue as of July 1st, at the time the tax bills are issued. Program revenue is 20% of current year budget due to the seasonality of the programs offered and remains in line with the budget. OAS program revenue is at 41% primarily due to the Mackinac Island trip recurring again in the current year. Overall program expenditures are at 25% as expected.

Tree Fund
Tree Fund revenues have been on a steady decline for the past couple years due to the overall decrease in development in the City but through the first quarter are running better than budget and are 90% of last year's total revenue.

Drain Fund
The Drain Fund construction expenditures (capital outlay) are light through the first quarter compared to budget due to $2.0 million of capital expenditures being rolled over from fiscal year 2024 into fiscal year 2025 and the anticipated timing of construction. Budgeted transfers in from the Drain Perpetual Maintenance Fund will be recorded as needed as expenditures are incurred.

Rubbish Fund
The Rubbish Fund revenue is approximately 50% due to half of the annual service fee being billed with the July 1, 2024 property tax bill and paid by August 31, 2024. The remaining fee will be billed on the winter tax bills sent out by December 1, 2024. First quarter rubbish invoices have been paid as expected. Monthly bills are approximately $182,000.

Forfeiture Fund
The Forfeiture Fund revenues are at 11% through the first quarter as the budget has been significantly reduced over the last couple of years due to the uncertainty of when the anticipated funds will be released by the court system. The expenditure budget is only at 15% as most of the expenditure is for police vehicles and there continues to be a significant delay in receiving the cars after they are ordered.

Permanent Service Fund

The Drain Perpetual Maintenance Fund transfers funds out to the Drain Fund on an as needed basis to cover budgeted expenditures. No transfers have taken place during the first quarter.

Debt Service Fund

The Library Construction Debt Service Fund is in line with the budget through the first quarter. Property Tax Revenue is recorded in July at the time property taxes are billed. Principal payments are made annually in September along with the first installment of interest. The library's bonds will be paid off in fiscal year 2027.

Capital Improvement Funds

The Special Assessment Revolving Fund does not have any capital purchases planned for this fiscal year. The fund loaned all available cash to the Corridor Improvement Authority Fund (CIA) to advance fund part of the Ring Road project in a prior year. The funds are being repaid over multiple years with interest as the CIA tax base increases and before any additional projects are undertaken.

The Capital Improvement Fund began to levy the CIP millage in fiscal year 2018. Property taxes account for 100% of the revenues this fiscal year. Revenue is recorded in July at the time property taxes are billed. The budgeted capital items for the current fiscal year were rolled over from fiscal year 2024 and include a $1.0 million Fire Pumper replacement (from FY 2023), $1.3 million Fire Pumper replacement (from FY 2023), $75,000 Splash Pad, and $653,000 pickleball courts. The fire trucks have been ordered, the splash pad complete and final costs are being completed and the pickleball courts are in progress. The total remaining funds available for future projects over the life of the millage is estimated to be $2,276,268.

The Gun Range Fund records revenue from renting out of the range to third parties and uses the proceeds to pay for capital expenses. Rental revenue will continue to be monitored, and the budget adjusted as needed in future quarters. There are no planned capital projects in the current year.

The PEG Cable Capital Fund receives quarterly PEG revenues and reflects no revenue through September as anticipated. Revenues are received quarterly: Oct/Nov, Jan/Feb, Apr/May, and Jul/Aug. The payments received in Jul/Aug were accrued to FY 2023-24 per accounting rules. No new capital purchases planned in FY 2025.

The Public Improvement Fund was created during FY 2024 to account for General Fund and Parks, Recreation, and Cultural Services Fund capital outlay projects that were not completed as of FY 2024. The unspent budgeted funds from FY24 were transferred to a new fund to track the projects.

Enterprise Funds

The enterprise funds' revenues and expenditures are anticipated to be in-line with budget. All enterprise funds will continue to be monitored and amended as needed. An adopted budget is not required, per the State Budget Act, for enterprise funds and the information is primarily presented for informational purposes only. There are no other significant items to highlight currently.

Internal Service Fund

The City created a Self-Insurance Fund in January 2020 to track the costs associated with the healthcare program. The Fund pays HAP healthcare costs for most employees and allocates the costs to the various departments and funds based on illustrative rates. An adopted budget is not required, per the State Budget Act, for internal service funds and the information is primarily presented for informational purposes only. There are no other significant items to highlight currently.

Fiduciary Fund

The Retiree Health Care Benefits Fund first quarter has resulted in realized and unrealized investment gains of $1,022,000 or 43% of the current year budget. Overall investment returns for the first quarter are approximately 7.27%. The volitivity of the stock market and bond market has continued from last fiscal year into the current year. The nature of this fund and its investments will yield significant swings in yield annually but overall, the fund continues to be on track with its target of a long-term return of 7%. Also, there are no employer contributions for this fiscal year. An adopted budget is not required for the Retiree Healthcare Fund, per the State Budget Act since it is a fiduciary fund. The fund is primarily presented for informational purposes only.

BUDGET OVERVIEW

Changes Presented between the Recommended to Adopted Budget

General Fund

Recommended Budget

		Estimated 2023-24	Budget 2024-25	Projected 2025-26	Projected 2026-27
	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)	(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	**25%**	**23%**	**23%**	**22%**
	Budget Adjustments				
A	Personnel Services - Dept 757.00	(250,000)	-	-	-
B	Transfers Out - EDC	(25,000)	(25,000)	(25,000)	(25,000)
C	Salt Dome - Cost Allocation	-	(507,762)	-	-
D	Postpone Light Duty Vehicle Purchases	-	(373,200)	-	-
E	Personnel Services	-	(327,319)	(781,639)	(805,087)
F	Postpone Civic Center Generator Replacement	-	(440,640)	-	-
G	Unspent Budget - All Departments	-	-	(150,000)	(150,000)
	Total appropriations increase (decrease)	**(275,000)**	**(1,673,921)**	**(956,639)**	**(980,087)**

Adopted Budget (5/6/24 City Council Meeting)

Adopted Budget	Estimated 2023-24	Budget 2024-25	Projected 2025-26	Projected 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	$ 14,095,477
Fund balance as a % of expenditures	**26%**	**29%**	**30%**	**31%**

Notes

A Removal of Older Adult Services position proposed to be funded from the General Fund during the Fiscal Year 2023/24 budget process.

B Reduce transfer of funds out to the Economic Development Fund to cover the costs of the Economic Development Department.

C Allocate the cost of the salt dome purchase between the General Fund, Major Street Fund and Drain Fund.

D Postpone a year of light duty vehicle purchases. Current replacement program is 5 years for pooled vehicles and 7 years for light duty trucks.

E Fiscal years 2025-2027, vacant plan examiner and economic development director positions will not be filled. In addition, the proposed business and accreditation coordinator position will be eliminated. In fiscal years 2026 and 2027, the proposed two police training officers as well as the proposed fire inspector and fire assistant training officer positions were eliminated.

F The Civic Center generator replacement will be postponed until 2027-28 fiscal year.

G Unspent budget across all departments.

General Fund

Recommended Budget	Estimated 2023-24	Budget 2024-25	Projected 2025-26	Projected 2026-27
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)	(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	**25%**	**23%**	**23%**	**22%**

	Budget Adjustments				
A	Personnel Services - Dept 757.00	(250,000)	-	-	-
B	Transfers Out - EDC	(25,000)	(25,000)	(25,000)	(25,000)
C	Salt Dome - Cost Allocation	-	(507,762)	-	-
D	Postpone Light Duty Vehicle Purchases	-	(373,200)	-	-
E	Personnel Services	-	(327,319)	(781,639)	(805,087)
F	Postpone Civic Center Generator Replacement	-	(440,640)	-	-
G	Unspent Budget - All Departments	-	-	(150,000)	(150,000)
	Total appropriations increase (decrease)	**(275,000)**	**(1,673,921)**	**(956,639)**	**(980,087)**

Adopted Budget (5/6/24 City Council Meeting)

Adopted Budget	Estimated 2023-24	Budget 2024-25	Projected 2025-26	Projected 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	12,081,291	12,826,402	13,783,041
Ending Fund Balance	$ 11,413,640	$ 12,826,402	$ 13,783,041	$ 14,763,128
Fund balance as a % of expenditures	**26%**	**30%**	**31%**	**33%**

Notes

A Removal of Older Adult Services position proposed to be funded from the General Fund during the Fiscal Year 2023/24 budget process.

B Reduce transfer of funds out to the Economic Development Fund to cover the costs of the Economic Development Department.

C Allocate the cost of the salt dome purchase between the General Fund, Major Street Fund and Drain Fund.

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