CITY OF NOVI CITY COUNCIL
MAY 5, 2025

SUBJECT: Consideration of a resolution for the Fiscal Year 2025 - 2026 Budget and Acknowledging the Multi-Year Budget, Including Projections of Future Fiscal Years 2026 - 2027 and 2027 - 2028.

SUBMITTING DEPARTMENT: Finance

KEY HIGHLIGHTS:

- Updated FY 25/26, including the four (4) adjustments requested by City Council at the April 16, 2025, Budget Session
- Recommended Budget maintains fund balances within desired ranges
- Per state law, a public hearing on the budget was held at the beginning of the May 5th Council Meeting
- Millage rates are held at the same levels as the prior year

BACKGROUND INFORMATION:

Attached for your consideration is the adopting resolution for the Fiscal-year 2025-2026 Budget and acknowledgement of the multi-year budget. The budget process started in August 2024 with the development of the capital improvement program. Following that, departments worked on their operating budgets to draft a budget that complied with the overall goals set by the Novi City Council. The Recommended Budget was presented initially to City Council on April 16, 2025.

At the City Council Budget Session, City Council approved the following adjustments to the City Manager's Recommended FY 2025-26 Budget:

- **Adjustment 1**: The proposed savings from the outsourcing of Older Adult Transportation should not be used to fund operating expenses within the Parks, Recreation and Cultural Services Fund. It was suggested that the savings from transportation would be used to pay for capital; therefore, the General Fund transfer in to help subsidize capital purchases would no longer be needed. The Parks and Rec Fund will reduce operating expenses by $75,000 and increase program revenue fees by $120,000 in fiscal year 2026 and subsequent years in order to have no impact on fund balance.

- **Adjustment 2:** In the Parks, Recreation and Cultural Services Fund, set aside $5,000 for the first Diwali Festival. These costs will be absorbed into the fund.

- **Adjustment 3:** Remove tree inventory from Tree Fund other charges and services totaling $140,000

- **Adjustment 4:** Use of General Fund fund balance for $75,000 for possible broadband study.

The following pages provide a financial summary showing the amendments' impact on the General, Parks, Recreation, Cultural Services, and Tree Funds.

Also attached are all pages from the Financial Schedules section of the Recommended Budget document, which incorporates the City Council's adjustments suggested at the Budget Session on April 16, 2025, and all other funds that had no changes.

The City of Novi utilizes multi-year budgets as a planning tool to fulfill the City Council's strategic goals and objectives and operate within its means. The multi-year budget balances future revenues with the corresponding expenditures. It maintains the fund balances for the General Fund and Special Revenue Funds within the limits set by the City of Novi's Fund Balance Policy. Furthermore, the multi-year budget also incorporates the long-range elements of the Capital Improvement Program (CIP) as approved by the City's Planning Commission and presented at the Public Hearing on February 26, 2025.

RECOMMENDED ACTION: Approval of Resolution for Fiscal-Year 2025-2026 Budget and Acknowledging the Multi- Year Budget, Including Projects of Future Fiscal-Years 2026-2027 and 2027-2028.

General Fund

Recommended Budget

	Budget 2025-26	Projected 2026-27	Projected 2027-28
Total Revenues	$ 46,520,926	$ 47,946,031	$ 48,984,911
Total Appropriations	45,564,288	46,965,945	48,984,911
Net Revenues (Appropriations)	956,638	980,086	-
Beginning Fund Balance	12,644,502	13,601,140	14,581,226
Ending Fund Balance	$ 13,601,140	$ 14,581,226	$ 14,581,226
Fund balance as a % of expenditures	**30%**	**31%**	**30%**

Budget Adjustments

A	Broadband Study	75,000	-	-
B	Transfers Out - Parks and Rec	(195,000)	(200,000)	(200,000)
	Total appropriations increase (decrease)	**(120,000)**	**(200,000)**	**(200,000)**

Adopted Budget (5/5/25 City Council Meeting)

Adopted Budget	Budget 2025-26	Projected 2026-27	Projected 2027-28
Total Revenues	$ 46,520,926	$ 47,946,031	$ 48,984,911
Total Appropriations	45,444,288	46,765,945	48,784,911
Net Revenues (Appropriations)	1,076,638	1,180,086	200,000
Beginning Fund Balance	12,644,502	13,721,140	14,901,226
Ending Fund Balance	$ 13,721,140	$ 14,901,226	$ 15,101,226
Fund balance as a % of expenditures	**30%**	**32%**	**31%**

Notes

A Addition of broadband study to City Council departmental budget

B Reduction of Parks and Recreation transfer . Transfer was in part to support purchase of an older adult vehicle. The City is no longer provides older adult transportation services, therefore, the vehicle is no longer needed nor is the General Fund subsidy.

Changes in council approved 2024-25 Budget for Fiscal Year 2025-2026

	2024-2025 Council Approved 2025-26	Proposed 2025-26	Change
Revenue Reduction:			
Older Adults - S.M.A.R.T. Contract	$ 54,450	$ -	$ (54,450)
Older Adults - Transportation	10,000	-	(10,000)
Transfer from General Fund	220,000	175,000	(25,000) *
	$ 284,450	$ 175,000	$ (89,450)
Expenditure Reduction:			
Gasoline and Oil - OAS Transportation	$ 25,000	10,000	$ (15,000)
Vehicle Maintenance - OAS Transportation	20,000	8,000	(12,000)
LDV044 Transit Vehicle-OAS (201)	95,820	0	(95,820)
Older Adults - Transportation	220,000	80,000	(140,000)
	$ 360,820	$ 98,000	$ (262,820)
		Net Change	**$ (173,370)** ^

* Change in transfer was a reduction of $45,000, only $25,000 relates to transportation subsidy. Conclude to show only transportation portion of reduction of $25,000

^ Conclude to reduce transfer in from General Fund to reflect the reduction of expenses in Parks and Recreation.

Parks, Recreation, & Cultural Services Fund

Recommended Budget

	Budget 2025-26	Projected 2026-27	Projected 2027-28
Total Revenues	$ 3,981,642	$ 3,977,972	$ 4,150,913
Total Appropriations	3,981,642	3,977,972	4,150,913
Net Revenues (Appropriations)	-	-	-
Beginning Fund Balance	986,682	986,682	986,682
Ending Fund Balance	$ 986,682	$ 986,682	$ 986,682
Fund balance as a % of expenditures	**25%**	**25%**	**24%**

Budget Adjustments

A	Transfer In - General Fund	(195,000)	(200,000)	(200,000)
B	Reduction in non program related expenditures	(75,000)	(75,000)	(75,000)
C	Increase in program revenues (net)	120,000	125,000	125,000
	Total appropriations increase (decrease)	-	-	-

Adopted Budget (5/5/25 City Council Meeting)

Adopted Budget	Budget 2025-26	Projected 2026-27	Projected 2027-28
Total Revenues	$ 3,926,642	$ 3,902,972	$ 4,075,913
Total Appropriations	3,926,642	3,902,972	4,075,913
Net Revenues (Appropriations)	-	-	-
Beginning Fund Balance	986,682	986,682	986,682
Ending Fund Balance	$ 986,682	$ 986,682	$ 986,682
Fund balance as a % of expenditures	**25%**	**25%**	**24%**

Notes

A Reduction of Parks and Recreation transfer . Transfer was in part to support purchase of an older adult vehicle. The City is no

Changes in council approved 2024-25 Budget for Fiscal Year 2025-2026

	2024-2025 Council Approved 2025-26	Proposed 2025-26	Change
Revenue Reduction:			
Older Adults - S.M.A.R.T. Contract	$ 54,450	$ -	$ (54,450)
Older Adults - Transportation	10,000	-	(10,000)
Transfer from General Fund	220,000	175,000	(25,000) *
	$ 284,450	$ 175,000	$ (89,450)
Expenditure Reduction:			
Gasoline and Oil - OAS Transportation	$ 25,000	10,000	$ (15,000)
Vehicle Maintenance - OAS Transportation	20,000	8,000	(12,000)
LDV044 Transit Vehicle-OAS (201)	95,820	-	(95,820)
Older Adults - Transportation	220,000	80,000	(140,000)
	$ 360,820	$ 98,000	$ (262,820)
		Net Change	**$ (173,370)** ^

* Change in transfer was a reduction of $45,000, only $25,000 relates to transportation subsidy. Conclude to show only transportation portion of reduction of $25,000

^ Conclude to reduce transfer in from General Fund to reflect the reduction of expenses in Parks and Recreation.

B Reduction in non program related expenditures

C Increase in program revenue (net)

Tree Fund

Recommended Budget

	Budget 2024-25	Projected 2025-26	Projected 2026-27
Total Revenues	$ 385,547	$ 380,217	$ 382,965
Total Appropriations	835,547	680,217	682,965
Net Revenues (Appropriations)	(450,000)	(300,000)	(300,000)
Beginning Fund Balance	1,550,531	1,100,531	800,531
Ending Fund Balance	$ 1,100,531	$ 800,531	$ 500,531

Budget Adjustments

A	Tree inventory	(140,000)	-	-
	Total appropriations increase (decrease)	**(140,000)**	**-**	**-**

Adopted Budget (5/5/25 City Council Meeting)

Adopted Budget	Budget 2024-25	Projected 2025-26	Projected 2026-27
Total Revenues	$ 385,547	$ 380,217	$ 382,965
Total Appropriations	695,547	680,217	682,965
Net Revenues (Appropriations)	(310,000)	(300,000)	(300,000)
Beginning Fund Balance	1,550,531	1,240,531	940,531
Ending Fund Balance	$ 1,240,531	$ 940,531	$ 640,531

Notes

A Elimination of tree inventory