CITY OF NOVI CITY COUNCIL
JANUARY 27, 2025

SUBJECT: Approval of resolution to authorize Budget Amendment #2025-3

SUBMITTING DEPARTMENT: Finance

KEY HIGHLIGHTS:

- No net change to General Fund, Major Streets, and Local Streets fund balance
- Net increase to Municipal Street Fund's fund balance of $546,000 from favorable revenue projections to date in the three street funds.
- Net increase of $75,000 to Parks, Recreation and Culture Fund fund balance due to the sale of older adult transportation vehicles and interest income.
- Net decrease to Capital Improvement Program of $115,094 due to splash pad donations lower than expected and property tax bill for land purchased on 8 Mile adjacent to ITC Park.

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 details are attached.

GENERAL FUND 101

The budget amendment proposes a net zero dollar change to fund and keeps the fund within Council set limits. The ending fund balance estimate is $12,829,502. Significant proposed adjustments are discussed below:

Revenues

- Interest income increase of $506,965 to reflect actual earnings for the first half of the current fiscal year due to interest staying at higher levels than expected nationally.
- State and other grant increases of $28,715 the City Clerk secured for election laptops and election drop box at the Civic Center.
- State shared revenue proposed decrease of $122,715 due to the most recent State of Michigan estimates. The original budget was prepared using the State of Michigan's estimate of state shared revenue back in March 2024.

Expenditures

- **Personnel Services**
  - Public safety personnel services have a proposed budget increase of $266,860. Approximately $104,000 is for final payouts of those officers retiring during the fiscal year. Police overtime is trending higher than expected largely due to President Trump's visit to Novi and ongoing investigations related to events at this year's State Fair. Unfortunately, there is no reimbursement available for the City's security services. In addition, new fire stipends are higher than expected. The new stipends were an effort to address staffing shortages and attract more candidates, the City offered recruitment signing bonuses of $10,000, $5,000 or $3,500 depending on their certifications when hired. The letter of understanding which addresses the staffing shortages and bonuses will be reviewed for its effectiveness on or by January 23, 2025. As of the date of this memo, the LOU will be extended for another six months.

- **Other Services and Charges**
  - Savings from the City's annual audit fee will be used to offset the cost of identity theft protection services for the police department.
  - The aerial imagery subscription of $11,500 was moved forward into fiscal year 2024 during the 2025 budget process; however, it did not make it into the final budget for fiscal year 2025. This is an annual subscription.
  - Fire recruitment training – outside agencies have gotten out of the business of offering academies and allowing the City to send candidates free of charge when Novi provided instructions. Now, the City must fund the cost of the academies for new candidates.
  - Fire building maintenance proposed increase of $12,000 would cover administrative staff office moves amongst the various stations.
  - Fire vehicle maintenance increase is due to an insurance claim. Revenue from the insurance company covers the cost of the repair.
  - The City survey benchmarks update of $25,000 was budgeted in fiscal year 2024 but was not rolled over as it was not capital outlay. The project is moving forward and the operating budget is being amended to cover this expenditure in 2025.
  - Street lighting operations costs from DTE have increased in the current year.

- Parking lot maintenance at the civic center has additional costs for the raised driveway and walkway project in front of the civic center. This project was not budgeted but needed for the safety of residents and staff.

- **Supplies**
  - Fire recruit uniform costs are higher than expected due to more new hires to cover shifts which require additional equipment per officer. In addition, the outside training at community colleges also requires specific uniforms, rental equipment, and books. Previously, trainees attended night academies at neighboring departments which did not require specific equipment and books.
  - Fire furniture increase of $12,000 is to cover a MAAF grievance settlement for the addition of new heavy-duty recliners in each station for the staff while on duty.

- **Transfers out**
  - The transfers out to parks and recreation of $25,000 was originally budgeted to subsidize free rides for seniors within the City's city limits. With the transfer of older adults' transportation to PEX, the transfer is no longer necessary.

<u>MAJOR, LOCAL AND MUNICIPAL STREET FUNDS 202, 203 & 204</u>

- **Revenues**
  - Reallocation of funding between the Major, Local and Municipal Street Funds as the City expects increases in gas and weight tax revenues from the State, increase in interest income and contributions from local units due to cost sharing agreements. The new increase to the street funds totals $546,000

<u>PARKS, RECREATION, AND CULTURAL SERVICES FUND 208</u>

The proposed budget amendment has an increase to fund balance of $75,000. The Parks fund sold its older adult transportation vehicles to outside parties earning approximately $72,000. In addition, interest income is coming in higher than expected as well as several older adult program revenues.

<u>TREE FUND 213</u>

The proposed budget amendment has an increase to fund balance of $44,060. The fleet division has postponed the purchase of a new light duty vehicle.

<u>CAPITAL IMPROVEMENT FUND 401</u>

The proposed budget amendment has a decrease to fund balance of $115,094. Donations for Jessica's Splash Pad came in $77,269 less than expected. In addition, the prior year purchase of land off 8 Mile, adjacent to ITC, had summer and winter property taxes of $52,249 that was not budgeted for. The property will not be considered a "tax free" parcel until tax year 2025 (fiscal year 2026).

PUBLIC IMPROVEMENT FUND 445

Funding for General Fund and Parks and Recreation capital projects not completed during fiscal year 2024 were placed in this new capital projects fund. The fiscal year 2024 budgets were not previously rolled over into fiscal year 2025. The amendment moves unspent funds into fiscal year 2025. The total rollover amount of $2,433,475 is the exact amount of the fund balance in this fund at 6/30/24.

SENIOR HOUSING FUND 574

The Meadowbrook Commons pickleball court project is expected to come in $100,000 below projected budget. The savings will increase fund balance.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2025-3.