MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
CC: LEADERSHIP GROUP
FROM: CARL JOHNSON, JR., CFO
SUBJECT: FINANCIAL REPORT AS OF JUNE 30, 2024
DATE: AUGUST 23, 2024

Mayor and Council –

As directed by the City's Charter, please see the annual 60 day financial report.

- Victor

The City's Charter specifies in Section 4.7 (City Manager) that a report be produced within 60 days from fiscal year end, June 30th, highlighting year-to-date revenue and expenditure activity. The following correspondence fulfills the aforementioned provision with data through the fourth quarter ending June 30, 2024 (see attached report for budget-to-actual by category by fund information). While the attached report has not been audited, City Administration is confident that most of the material activity is properly recorded and represents a sound estimate where the final audited numbers will reflect later this year.

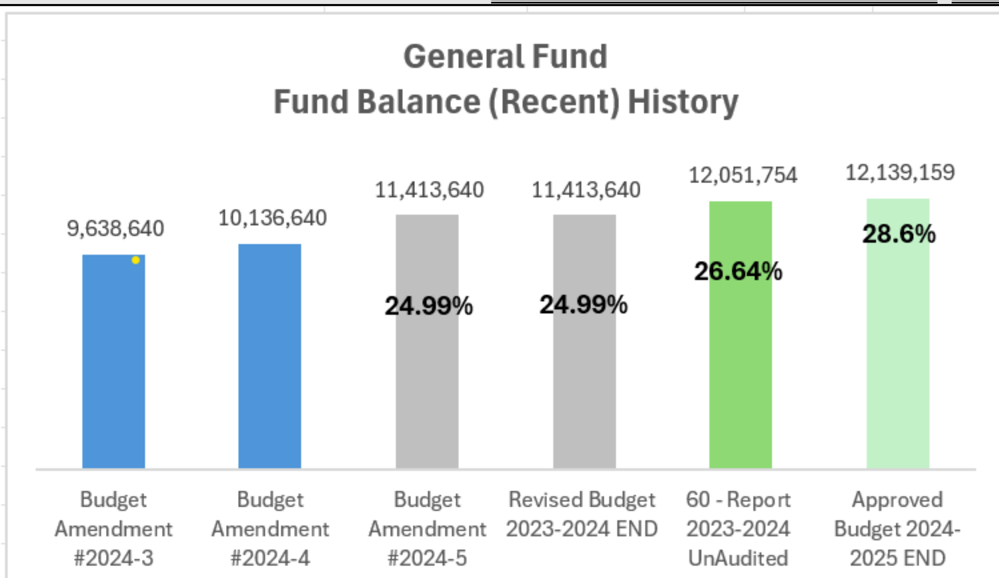
City of Novi
Summary of Projected Fund Balance from 60 Day Report
June 30, 2024

	Fund Bal 6/30/2023	Final Budget 6/30/2024	60 Day FB 6/30/2024	Favorable Variance
General Fund	14,445,394	11,413,640	12,051,753	638,113
% of Expenditures	34.91%	24.99%	26.64%	
Street Funds				
Major	5,919,486	1,270,346	1,270,345	
Local	1,092,450	755,170	755,171	
Muni	4,543,565	3,587,165	3,999,467	
Total Streets	11,555,501	5,612,681	6,024,983	412,302
% of Expenditures	62.73%	30.47%	21.99%	Note: FY 24 60 Day is after rollovers
Parks & Rec	1,693,650	750,140	1,073,007	322,867
% of Expenditures	52.75%	15.50%	22.31%	

GENERAL FUND

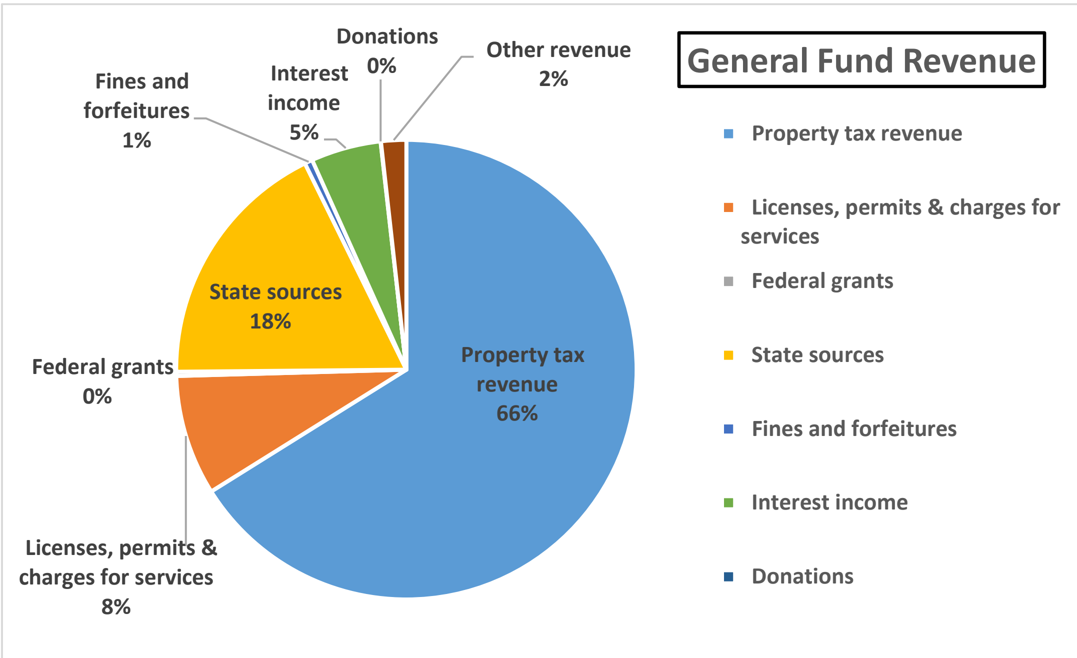
The Fiscal Year 2023-24 General Fund estimated results reflect expenditures exceeding revenues (decrease of fund balance) of $2,393,641 **which is $638,113 better than the final amended budget** of $3,031,755. Fund balance per the original budget was to decrease by $812,770. The table below summarizes the changes from the original adopted budget to the amended budget:

FY 2023-24 General Fund				
Meeting Date	**Post Date**	**BA#**	**Budget Description / BA Description**	**$ Amt**
			Original Budget - Use of Fund Balance	(812,770)
9/25/2023	**9/25/2023**	**31370-31372**	Rollover BA 2024-1	(3,134,485)
10/9/2023	**10/9/2023**		MERS Transfer Resolution	(251,000)
10/23/2023	**10/23/2023**	**2024-2**	Fire Perm Wages	(250,000)
12/11/2023	**12/11/2023**		Fire Radio Replacement	(40,000)
1/22/2024	**1/22/2024**	**2024-3**	Fire Station #2 and #3 Generators $163,500 and $155,000 for fire truck repairs	(318,500)
5/20/2024	**3/31/2024**	**2024-4**	Economic development director vacancy	49,000
5/20/2024	**3/31/2024**	**2024-4**	OAS Position Removals	250,000
5/20/2024	**3/31/2024**	**2024-4**	Reduce transfer to Parks and Rec for not purchasing OAS vehicles	174,000
5/20/2024	**3/31/2024**	**2024-4**	Transfer to EDC	25,000
6/17/2024	**6/30/2024**	**2024-5**	Interest income	600,000
6/17/2024	**6/30/2024**	**2024-5**	Department savings identified	677,000
			Ending Use of Fund Balance	**$ (3,031,755)**



Revenues

Currently, total General Fund revenues through the fourth quarter are $42,840,148, which is greater than prior year revenue by approximately $3.4 million and $195,861 greater than the final amended budget. Property taxes increased by approximately $1.5 million from the prior year due to an increase in taxable value but remained consistent with prior year by being 66% of budgeted revenues. Building revenues are higher than the prior year by approximately $400,000 and are $126,000 greater than budget. The last few years the City has been very conservative in budgeting the building revenue due to shortfalls in this area caused by the significant rise in interest rates, inflation, and continued supply chain issues. Cable franchise fees are also lower by about $105,000 compared to last fiscal year. Total federal grants are down $127,000 in the current year compared to the prior year. The City recognized the last of the COVID federal funding revenue in the prior year. While federal funding decreased, the state revenue sharing increased by $82,000 from the prior year. Interest income also increased by approximately $1.6 million over last year.

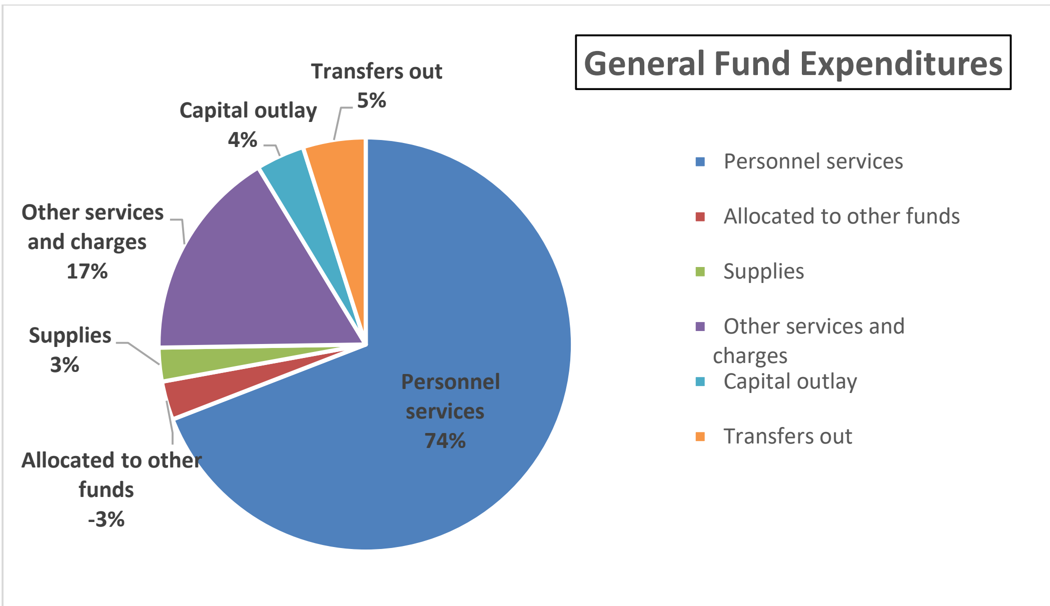


Expenditures

Currently, total General Fund expenditures through the fourth quarter **total $45,233,789,** representing 99% of the **$45,676,042** General Fund amended expenditure budget. Total expenditures are under the final amended budget by approximately $442,000. The favorable variance is made up of favorable department budgets. All departments, with one exception, was under budget. In addition to departmental savings, the City did not have the need to transfer $200,000 of budgeted transfers to the Drug Forfeiture Fund. The Forfeiture Fund did not have the available revenues to support the originally budgeted vehicle expenditures. The General Fund ended up purchasing the vehicles needed from the police department budget. The Fire was the only department overbudget in the current year. Vehicle maintenance was approximately $100,000 over budget due to numerous costly apparatus repairs, including several late in the fiscal year. For example, the repair of Fire Engine #3 cost nearly $190,000 to repair the frame rail corrosion. The repairs were needed as the City continues to wait for the delivery of three new pumper engines on order. It should also be noted, in the current year, the City created a new capital fund to account for General Fund and Park and Recreation Fund capital rollovers. Continued supply chain issues have caused the amount rolled over annually to be around $2-$3 million, and the resulting favorable variances have significantly distorted the true General Fund equity position. General Fund expenditure rollovers totaling $2,394,000 million were transferred to the new fund. These rollovers represent contracts/commitments the City has entered that were not completed as of June 30, 2024.

Overall, total expenditures and transfers out of the General Fund increased from the June 30, 2023 total of $41,374,301 by approximately $3,859,488 (primarily due to 2023 roll overs).

Fund Balance for the General Fund is estimated to be $12,052,000 on June 30, 2024, which is a decrease of approximately $2,394,000 from last year's fund balance of $14,445,694. The estimated fund balance to current year expenditures ratio is 26.64%, which keeps the fund balance above the current council-set limits.



SPECIAL REVENUE FUNDS

The various special revenue funds' revenues and expenditures are on track to come in within budget through the fourth quarter ended June 30, 2024, with the following items of note:

Major, Local, & Municipal Street Funds

Overall, Act 51 revenues came in $215,000 higher than prior year due to a 2.6% increase in funding by the State. The Major Street Fund spent $6.1 million less than the budget due to the timing of construction projects. The unspent budgets will be included in the budget rollover and expensed during fiscal year 2024-25 as projects continue toward completion. The fund is expected to be in line with City Council fund balance policies as of June 30, 2024.

The Local Street Fund completed $2.6 million of the budgeted $4.7 million of capital projects. The fund will rollover $2.1 million of its capital budget into fiscal year 2024-25 as projects will continue into the next year. The Local Street Fund is expected to be in line with City Council fund balance polices as of June 30, 20234.

The Municipal Street Fund also had capital expenditure budget variance due to timing of construction projects in the amount of approximately $1.4 million which will be rolled over into fiscal year 2024-25. The Municipal Street Fund is expected to be in line with City Council fund balance policies as of June 30, 2024.

Parks, Recreation, & Cultural Services Fund
The Parks, Recreation, & Cultural Services Fund's combined program revenue and older adult program revenue is anticipated to come in approximately $487,000 higher than prior fiscal year reflecting increases in program registrations and $300,000 on on-time grants and donations. Current year expenditures were $1.6 million greater than in fiscal year 2023-24 due to an increase in capital projects (parking lot at Lakeshore, Northwest Park improvements, security cameras at Bosco, park generators and tennis court resurfacing). Overall, the net expenditures over revenues will decrease fund balance by $621,000. Fund balance on June 30, 2024, is estimated to be approximately $1.73 million or 22% of the expenditure budget.

Drain Fund
Overall, revenues and expenditures remain consistent with prior year with revenues coming in at $3.2 million and expenditures at $3.8 million. Due to the timing of the budgeted construction projects, the fund will only require $321,000 of the budgeted $2.5 million transfer in from the Drain Perpetual Maintenance Fund. Expenditures of approximately $2 million will be rolled over to fiscal year 2024/2025 fiscal year for contracts/commitments the City has entered that were not completed as of June 30, 2024.

Tree Fund
As a result of higher interest rates, inflation, and continued supply chain issues development continues to be slow causing tree revenues continue to be lower than budget, however; higher than last fiscal year's revenue by approximately $17,000. Last fiscal year tree revenues totaled $161,400 and this fiscal year revenues are $178,175 (down from pre-COVID levels of $300-500,000 annually). Spring and fall planting is approximately $100,000 to $120,000 annually. An additional $315,000 has been spent annually on major and local road forestry maintenance. During fiscal year 2023-24, the Tree Fund purchased property totaling $432,000 at East Meadowbrook Road and 10 Mile intersections as well as Novi Road (between 12 and 13 Mile). Fund balance is estimated to decrease approximately $767,000 from the approximate $2,523,000 at June 30, 2023 to $1,756,000 at June 30, 2024.

Forfeiture Fund
Similar to last fiscal year, the Forfeiture Fund did not receive sufficient forfeiture revenues to cover their budgeted capital expenditures. However, due to supply chain issues, several vehicles were not received by June 30, 2024 so a transfer from the General Fund was not needed. A significant number of forfeiture cases with millions of possible forfeitures continue

to be held up by the court system. These revenues are anticipated to cover future expenditures once released, in the meantime, the General Fund will continue to contribute funds annually to the extent expenditures exceed revenues.

Community Development Block Grant (CDBG)
The revenues are under budget due to timing of receipts at fiscal year-end. Expenditures are over budget in the current year due to the timing of when invoices were received from the City's sub recipients. The fund annually shows a deficit due to the timing of the reimbursements from Oakland County but does not require a formal deficit elimination plan with the State.

Rubbish Collection, Library, Library Contribution, and Street Lighting (West Oaks, West Lake, & Town Center) Funds
The revenues and expenditures are in line with the final amended budget with no significant items of note.

DEBT SERVICE FUND

2008 Library Construction Debt Fund
The Library Construction Debt was refinanced in fiscal year 2016 and is the only remaining debt service fund. The final principal payment is scheduled for October 2026 (fiscal year 2026-2027). Revenues exceed budget due to County Chargebacks being less than anticipated and due to receipt of local stabilization for personal property reimbursement.

CAPITAL PROJECT FUNDS

The capital project funds' revenues and expenditures are on track to come in within budget through the fourth quarter ending June 30, 2024, with the following items of note:

Special Assessment Revolving Fund
The Special Assessment Revolving Fund had no capital activity as of June 30, 2024 as it continues to receive repayment of prior years' interfund borrowings with the CIA Fund.

Capital Improvement Program (CIP) Fund
The Capital Improvement Program (CIP) Fund was created in FY 2015-16 to record the revenues and expenditures related to the voter approved tax levy; collections began on July 1, 2017.

During fiscal year 2023-24, approximately $9.8 million was spent towards the city splash pad and land purchases at Lee Begole drive and the property adjacent to ITC off 8 Mile. The balance of the interfund borrowing as of June 30, 2024, from the Water and Sewer Fund is $2.8 million. The balance due to the General Fund for interfund borrowing is $6.3 million. These funds will be paid back with the remaining millage tax collections. Interest payments on interfund borrowings totaled $46,061 as of June 30, 2024.

Gun Range Facility Fund

The Gun Range Facility Fund offsets current and future capital purchases with incoming operating revenues (operating costs remain in the police department within the General Fund). Total revenues exceed the amended budget; rental revenue is $22,000 more than the amended budget and $6,400 more than last fiscal year's revenues. Capital-related items completed during the fiscal year included LED light replacement and ceiling tiles and an overhead awning.

PEG Cable Capital Fund

In September 2019 regulations changed requiring PEG revenue to be used only towards capital purchases, hence; the City created this fund in 2020. The PEG Cable Special Revenue Fund closed as of June 30, 2022 and operating expenditures are recorded in the General Fund within the Studio VI Department. PEG revenue is slightly lower than budget through June 30, 2024 and approximately $13,000 less than the prior year. The fund spent nearly $836,000 towards a new broadcast studio and $11,700 to replace the server for the enhanced broadband capabilities.

PERMANENT SERVICE FUND

Drain Perpetual Maintenance Fund

The Drain Perpetual Maintenance Fund is the City's only permanent fund. There were no tap-in fee revenues collected as of June 30, 2024 similar to the prior year. The Drain Perpetual Maintenance Fund budgeted to transfer $2.475 million to the Drain. Due to timing of construction projects in the Drain Fund, only $321,000 was transferred to the Drain Fund (see Drain Fund).

(An adopted budget is not required, per the State Budget Act, for permanent service funds and the information is primarily presented for informational purposes only.)

ENTERPRISE FUNDS

The enterprise funds' revenues and expenditures are anticipated to be in-line with budget through the fourth quarter ending June 30, 2024, with the following items of note:

Ice Arena Fund

As of June 30, 2024, the Ice Arena program revenues are up $231,000 compared to the prior year and are finally back to pre-COVID levels. Capital projects not completed by June 30, 2024 include the purchase of a Zamboni and the replacement of the dehumidification unit and smoke/fire detection system. These projects will be completed next fiscal year so they will be rolled over into fiscal year 2024-25 in the amount of approximately $297,000.

Senior Housing Fund

The Senior Housing Fund operating revenues increased by approximately $20,000, similar to the increase of $23,000 from last fiscal year. Operating expenditures increased by about $47,000 compared to last fiscal year, which was mostly related to management contract (salary and fringe benefits) increases and increased costs of contractual services. The window replacement project for the main building and ranches was completed as of June 30, 2024. The replace of air conditioning units and the installation of the pickleball courts are still ongoing and will be rolled over into fiscal year 2024-25.

Water and Sewer Fund
The Water and Sewer Fund has significant construction projects ongoing which will require a rollover budget amendment of approximately $10.7 million. The three largest projects which require budget rollovers are the water main value maintenance project in the amount of approximately $705,000, the Sanitary Sewer Upgrades-Lanny's Influent and Drakes Bay Effluent in the amount of approximately $1.4 million and the Huron-Rouge sewer disposal system project in connection with Oakland County Water Resource Commission in the amount of $6 million.

Operating revenue decreased by approximately $270,000 from last year primarily due to a wet spring and early summer which contributed to a slight decrease in consumption. Capital contributions from developers tapping into the system are down in the amount of $400,000 compared to last fiscal year. In addition, interest income increased $700,000 from the prior year.

Operating expenditures increased by $1.3 million from the prior year to the current year. The increase is due mostly to the increase in sewage costs of $626,000 from Oakland County Water Resource Commission and $389,000 for the PCCP Transmission Main Condition Assessment (under I96).

(An adopted budget is not required, per the State Budget Act, for enterprise funds and the information is primarily presented for informational purposes only.)

INTERNAL SERVICE FUND

Self-Insurance Health Care Fund
The City created a Self-Insurance Fund in January 2020 to track the costs associated with the healthcare program provided to employees. The Fund pays HAP healthcare costs for employees and allocates the costs to the various departments and funds based on illustrative rates. The fund balance is expected to increase by approximately $971,000 during fiscal year 2023-24. The year ending fund balance is estimated at $2.9 million. The reserves will be used to pay large claims and possibly reduce employee's future premium costs.

(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.)

FIDUCIARY FUND

Retiree Healthcare Benefits Fund
The Retiree Healthcare Benefits Fund reflects a net investment gain in the amount of $4.4 million compared to the prior year's $3.2 million gain. The fund will have net increase in fund balance of approximately $2.77 million as of June 30, 2024. The most recent actuarial report shows an increase to the funded ratio from 125.5% at June 30, 2021 to 132.6% at June 30,

2023 and recommends no Employer contribution for fiscal years ending June 30, 2025 and June 30, 2026. Retiree insurance increased by approximately $67,000 from last year.

(An adopted budget is not required, per the State Budget Act, for fiduciary funds and the information is primarily presented for informational purposes only.)

COMPONENT UNITS

The component units' revenues and expenditures are anticipated to be in-line with budget through the fourth quarter with the following items of note:

Economic Development Fund

The Economic Development Fund had FY 2023-24 expenditure activity in the amount of $5,000 for a Detroit Regional Partnership, Japan American Society membership and costs to send the former Economic Development Director to training/conferences. In addition, the fund received a transfer from the General Fund of $25,000 for taxed collected for Public Act 359 Advertising millage.

Corridor Improvement Authority (CIA) Fund

The Corridor Improvement Authority (CIA) Fund borrowed in prior years approximately $3.9 million from the Special Assessment Revolving Fund to pay for the majority of the $4.9 million NW Ring Road project (balance funded out of the Major Street Fund). During fiscal year 2023-24 the CIA repaid approximately $643,000 of the loan principal and paid interest expense on the borrowing of $74,000. The principal and debt service interest payments will continue to be paid over the life of the loan with annual property tax revenues.

(An adopted budget is not required, per the State Budget Act, for component units and the information is primarily presented for informational purposes only.)

This summary reflects actual June 30, 2024 balances for all funds as of August 23, 2024. The balances are not "final" as year-end adjustments and account reconciliations are still being performed but should be materially correct. The State of Michigan requires all municipalities to have an independent audit performed (majority annually) to verify all financial data is materially accurate and properly disclosed. The independent auditors hired by the Mayor and City Council are scheduled to perform the annual audit beginning September 23, 2024 with a final report anticipated by the end of October 2024. All balances will be deemed "final" by the Finance Department no later than early September prior to the auditor's arrival.