CITY OF NOVI CITY COUNCIL
JUNE 26, 2023

SUBJECT: Approval of resolution to authorize Budget Amendment #2023-5

SUBMITTING DEPARTMENT: Finance

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 fourth quarter budget amendment resolution and budget amendment detail are attached.

GENERAL FUND 101

The budget amendment proposes a decrease to fund balance in the amount of $165,000 and keeps the fund within Council set limits. The decrease is specifically related to the final costs related to the storm cleanup (see below) use of fund balance. The ending fund balance estimate is $12,572,800 based on recognizing net expenditure increases in the amount of $165,000. Significant proposed adjustments are discussed below:

Revenues

- **Property Tax Revenue** decrease in the amount of $70,000
  - Property tax revenue reflects $70,000 in chargebacks related to final settlement of several property appeals.

- **Licenses, Permits, and Charges for Services** decrease in the amount of $89,154
  - Building activities continue to be impacted by inflation and supply chain issues which continue to result in lower than anticipated revenues.

- **State Sources & Other Revenue** net increase in the amount of $177,441
  - State-shared revenues are anticipated to come in approximately $108,000 more than anticipated based on the State's most recent estimates and a new Public Safety Academy Assistance Grant Program resulted in an increase in revenues by $67,832 to help cover upfront police academy salaries and enrollment costs.

- **Fines and Forfeitures** decrease in the amount of $35,000

  - Revenue the City receives from the District Court, mostly from the police department issuing traffic infraction tickets, is anticipated to be down $150,000 from the adopted budget and $70,000 lower than prior year receipts. As mentioned last fiscal year, court revenue continues to be on a steady decline since 2017 and is down nearly 50% in the past six years.

Expenditures

- **Personnel Services** increase in the amount of $224,000
  - The increase in personnel services is requested mostly within the Department of Public Works in the amount of $173,500. Personnel changes throughout other General Fund departments make up the remaining $50,500 including vacancies, new hires, final payouts, and changes in insurance.

- **Other Services and Charges** increase in the amount of $197,000
  - The increase in other services and charges is requested mostly to cover the remaining expenditures in the amount of $165,000 related to the City Council's initiative to pick up tree branches due to the significancy of the ice storms in March/April. Also included is $75,000 for vehicle maintenance overages within the Fire Department and $65,000 for overages within the Community Relations Department for the Community Newsletter Engage. These increases are offset by $95,000 in anticipated legal fee savings within the City Attorney, Insurance, and Claims Department and $14,000 in conference and workshops savings within the City Council budget.

- **Capital Outlay** decrease in the amount of $256,000
  - The decrease in capital outlay recognizes the remaining savings from the postponed City Clerk Department remodel project.

MAJOR STREET FUND 202, LOCAL STREET FUND 203, & MUNICIPAL STREET FUND 204

The budget amendment proposes a net overall decrease to fund balance amongst the three road funds in the amount of $70,963. Gas and Weight Tax revenue is projected to be $241,500 greater than anticipated and Metro Act ROW revenue is $51,966 greater than anticipated, Routine maintenance for joint/crack in the amount of $117,700 needs to be moved from the Major Street Fund to the Local Street Fund to address additional sites on local streets since major street maintenance activity is finished and under budget. Also, the 2023 neighborhood road program-asphalt completed construction ahead of schedule so $500,000 is needed begin the 2024 program ahead of schedule. Also, $109,000 is needed to pay unanticipated design and ROW acquisition costs for the Ten Mile Road Rehabilitation and Operational Enhancements (Meadowbrook Road to Haggerty Road).

TREE FUND 213

The proposed budget amendment decreases fund balance by $150,000. Tree Fund revenues are unpredictable and, like building activities within the General Fund, have continued to be impacted by high inflation and supply chain issues, with new developments continuing to show very slow growth.

FORFEITURE FUND 262

The budget amendment proposes a net zero effect on fund balance by increasing both revenues and expenditures by $81,045 each. The unanticipated revenues will be used to pay vehicle purchase costs that without revenues would need to be paid by the General Fund. The Forfeiture Fund has doubled its revenue compared to last fiscal year, however; it is approximately 50% lower than what was collected in fiscal years 2016-17 and 2017-18.

LIBRARY FUND 271 AND LIBRARY CONTRIBUTION FUND 272

The proposed budget amendment increases the Library Fund fund balance by $121,732 and increases the Library Contribution Fund fund balance by $14,281. The Library Board approved fiscal year-end projection adjustments at their board meeting held June 22, 2023. This amendment is needed to bring the City's budget in alignment with the Board's projections.

GUN RANGE FACILITY FUND 409

The proposed budget amendment has a net zero effect on fund balance. It recognizes additional rental revenue received to date and increases the capital expenditure budget mostly to replace the entire filtration control panel at the range since the controller is no longer supported by the manufacturer and also since parts/access to repair the software problem with the unit are not readily available.

ICE ARENA FUND 570

The proposed budget amendment decreases fund balance by $98,000 by increasing program revenues since they are better than anticipated and increasing expenditures primarily to cover the increased cost of building maintenance and staffing.

SENIOR HOUSING FUND 574

The proposed budget amendment increases fund balance by $78,000. The Senior Housing (Meadowbrook Commons) Fund increases revenues by $18,000 and has savings from postponed parking lot maintenance in the amount of $24,770 and postponed replacement of the fire panel in the amount of $15,440. Also, contingency savings from the roof replacement in the amount of $26,706.

WATER AND SEWER FUND 592

The proposed budget amendment has a net zero effect on fund balance and recognizes $55,000 in additional sewer tap connection revenue received and $65,119 increase to the capital expenditure budget for Asbestos-Cement Water Main replacement project along 10 Mile (Meadowbrook to Haggerty).

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2023-5