CITY OF NOVI CITY COUNCIL
APRIL 17, 2023

SUBJECT: Approval of resolution to authorize Budget Amendment #2023-4

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 third quarter budget amendment resolution and budget amendment detail are attached. The following is a summary of the significant items proposed within this amendment:

GENERAL FUND

This budget amendment reflects a use of the General Fund fund balance in the amount of $225,000 and keeps the fund within Council set limits. Therefore, the fund balance will be reduced to $12,737,800 with revenues increasing $526,170 and expenditures increasing $751,170. The following are highlights of the significant items included in the proposed budget amendment:

Revenues:

- **Federal Grants** increase in the amount of $100,070 to reflect the final payment of 2021FEMA funds received in March 2023.

- **State Sources** increase in the amount of $490,958 to reflect anticipated additional state-shared revenues to be received over and above the amended budget based on the current estimate from the State of Michigan Department of Treasury.

- **Interest Income** decrease in the amount of $73,228 to reflect the continued impact the Fed's interest rate increases have had on the market value of current investments (only one increase during the past quarter). There have been nine rate increases since last March. Overall actual rate increases have resulted in significant actual interest income but continue to be net with unrealized losses each time rates increase. Finance will continue to closely monitor this revenue and continue to amend as needed. The losses are "unrealized" as no actual loss will be incurred since the City intends to hold the investments to maturity.

Appropriations:

- **Personnel Services** increase in the amount of $149,800 to reflect final leave time payouts in the amount of $110,000 (mostly police department-related), vacancy savings in the amount of $60,000 (City Manager and Assessor), and net increase in permanent salaries and insurance costs in the amount of $97,800 from personnel changes throughout departments.

- **Other Services and Charges** increase in the amount of $473,370 to reflect continued increases with human resource-related legal fees for ongoing negotiations and arbitration $30,000, continued contractual services for private development site plan reviews during DPW position vacancies $60,000, unanticipated vehicle maintenance in the fire department $60,000, fire recruitment-related expenditures $45,000, and $22,000 for the Winter Fest (see capital outlay below). Also, there is an increase to DPW's storm response expenditure budget in the amount of $225,000 to cover costs to date related to City Council's initiative to pick up tree branches due to the significancy of the recent ice storms.

- **Capital Outlay** decrease in the amount of $22,000 to reallocate savings from the postponed City Clerk Department remodel project to fund the additional expenditures spent on the Winter Fest over and above the amended budget within the Community Relations Department. Also, $136,400 for two light-duty vehicles with plows are being reclassed from the DPW Fleet Asset Department to the Integrated Solutions Parks Maintenance budget resulting in no net effect.

- **Allocated to Other Funds** increase in the amount of $150,000 to reflect lower than anticipated DPW labor and equipment allocations from the General Fund to the Major Streets, Local Streets, Municipal Streets, and Drain funds. This is a contra expenditure account. Allocations are running less than budget, however; activity is anticipated to be in line with the prior fiscal year.

MAJOR, LOCAL AND MUNICIPAL STREET FUNDS

The Major Street Fund amendment proposes to increase the pavement striping maintenance expenditure budget by $125,600 which was awarded at the April 3rd

Council Meeting. The fund also proposes to increase expenditures by $61,000 to cover design costs of the Wixom Road and Left Turn Lane (10Mile-city limits) project. Construction is scheduled for the fiscal year 2023-2024. ACT 51 revenues are being increased in the Major and Local Street funds per MDOT estimates: $756,707 and $222,437, respectively. Also, to keep the Major, Local, and Municipal Street Funds within Council set limits, the amendment includes transfers between the three street funds as well.

PARKS, RECREATION, AND CULTURAL SERVICES FUND

The budget amendment proposes a net zero effect to fund balance by increasing revenue and expenditure budgets each by $218,960. Parks and recreation program revenues are trending higher than anticipated through the third quarter, so the budget amendment increases the program revenue budget by approximately $164,380 and increases related program expenditure budgets by $182,720. Also, the OAS fitness program is trending higher than last year, so revenue and expenditure budgets are being increased $54,580 and $14,740; respectively, to bring the budget in line with projected activity.

FORFEITURE FUND

The Forfeiture Fund amendment proposes to increase revenue and expenditure budgets by $14,500 each with a zero net effect to fund balance to bring the revenue budget in line with actual activity to date.

LIBRARY FUND AND LIBRARY CONTRIBUTION FUND

The proposed budget amendment decreases the Library Fund fund balance by $117,711 and increases the Library Contribution Fund balance by $116,819. The Library Board approved fiscal year-end projections at their board meeting held January 26, 2023. This amendment is needed to bring the City's budget in alignment with the Board's projections.

CAPITAL IMPROVEMENT PROGRAM (CIP) FUND

The CIP Fund proposed budget amendment increases fund balance by $408,282 to recognize savings in the amount of $284,756 from sidewalk projects and reduce interest expense by $193,621 to projected activity through year-end.

GUN RANGE FACILITY FUND

The Gun Range Facility Fund proposed budget amendment has a net zero effect on fund balance and increases revenues and expenditures each $15,500. This amendment covers the unexpected wall and floor repair work that needed to be done and recognizes current and projected revenue activity.

SELF INSURANCE - HEALTH CARE FUND

The budget amendment proposes a net zero effect to fund balance by increasing the insurance revenue budget and claim expenditure budgets each by $600,000 to bring the budget in line with current and projected activity. The City is required to pay all claims first and then is reimbursed for all claims over the stop-loss deductible amount of $100,000.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2023-4