CITY OF NOVI CITY COUNCIL
DECEMBER 16, 2024

SUBJECT: Approval of the updated deficit elimination plan for the Capital Improvement Fund (CIP) as of June 30, 2024.

SUBMITTING DEPARTMENT: Finance

KEY HIGHLIGHTS:

- Annual approval of a deficit elimination plan (DEP) is required by the State
- The current deficit increase is primarily due to recent land acquisitions
- With the proposed property purchase currently in play, the remaining balance will be roughly just over $1,900,000

BACKGROUND INFORMATION:

The State of Michigan ("State") requires that any funds reflecting a deficit in an annual audit have a formal Deficit Elimination Plan (DEP) approved annually by the governing body. The proposed DEP serves as an annual update to the original plan filed for the fiscal year ending June 30, 2019, as the State mandates it is updated to reflect actual results and reapproved.

The original 2019 DEP outlined the City's plan to borrow internally to advance-fund several significant projects, with repayment of the borrowing (plus interest) to be made over the ten-year duration of the voter-approved millage.

As of June 30, 2024, the Capital Improvement Fund reported a fund balance deficit of $9,051,104, representing an increase of $5,356,036 compared to the June 30, 2023 deficit of $3,695,068. This increase is primarily attributed to the purchase of two parcels of vacant land for city use and potential park development, totaling approximately $7.6 million.

The City anticipates collecting over $14.675 million in property tax and other revenues during the remaining three years of the levy. These funds are expected to eliminate the deficit, cover the interest owed on interfund borrowing, and leave an estimated $2.2 million available for future projects through June 30, 2027.

RECOMMENDED ACTION: Approval of the updated deficit elimination plan for the Capital Improvement Fund (CIP) as of June 30, 2024.