CITY OF NOVI CITY COUNCIL
JUNE 17, 2024

SUBJECT: Approval of resolution to authorize Budget Amendment #2024-5

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 primary purpose of the fourth quarter amendment is to ensure that the City remains compliant with the State Budget Act (in required budgetary funds no department's expenditures can be over budget by even $1) along with adjusting the final amended budget to match exactly the estimated June 30, 2024 balances as they were in the approved budget document. The fourth quarter budget amendment resolution and budget amendment detail are attached. The following is a summary of the significant items proposed within this amendment:

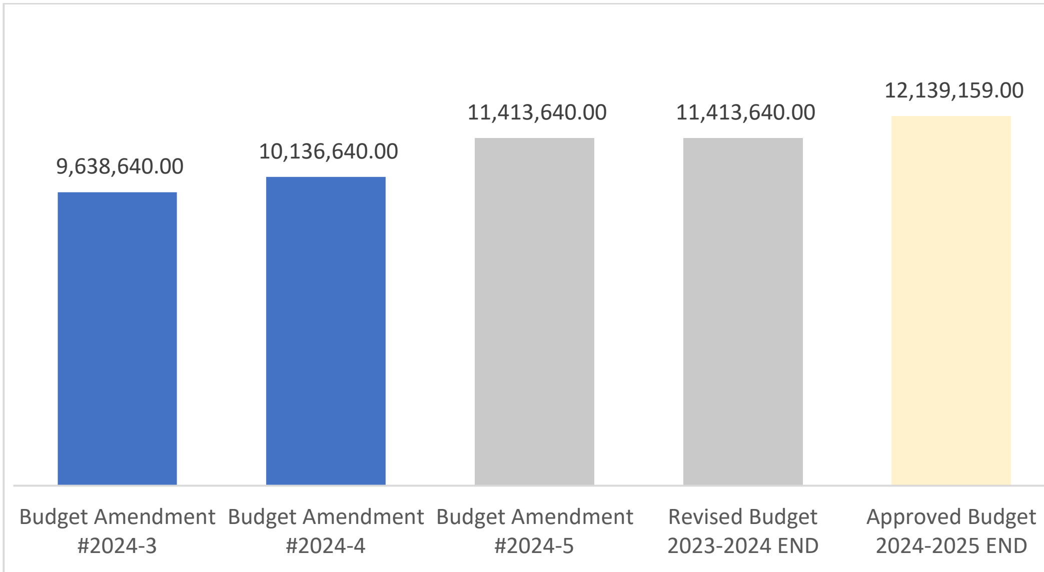
GENERAL FUND

The following is a summary of the impact on fund balance for the proposed fourth quarter budget amendment:

Beginning fund balance 6/30/23	$14,445,394
Amended budget through 6/17/24	($4,308,754) – of which $3,014,988 are rollovers and appear in amendment #2024-6

Impact of proposed 4th quarter amendment $\underline{\quad 1,277,000}$
Projected ending fund balance 6/30/24 $11,413,640 (25%)

General Fund
Fund Balance (Recent) History



The proposed budget amendment reflects an increase to the General Fund fund balance of $1,277,000 with revenues increasing by $600,000 (in realized interest) and expenditures decreasing by $677,000 and **results in the final amended budget matching exactly the estimated amount in the approved 2024/2025 budget.**

The majority of the proposed amendment involves estimating the amount each department will ultimately end up under budget after final reconciliation of the entire year takes place over the next few months. The account called "Unspent Operating Budget Expenditures" represents finance's best estimate of unspent budgets based on the current expenditures to date and projected expenditure through June 30 2024. The following are highlights of some other items included in the proposed budget amendment:

Revenues:

- Interest Income – With only a couple weeks left in the fiscal year, the amendment increases interest income to the actual realized earnings through May 2024. The amount of this amendment is not used to offset any expenditures and falls directly to fund balance.

Appropriations:

- $754,000 of the proposed $677,000 expenditure reduction amendment represents the estimated amount that will be unspent (approximately 1-2% of almost every department) in the current amended budget.

- City Manager (172) – Only six months of grant writing contractual services and less entranceway grants issued than budgeted.
- Clerk (215) – No additional elections through June 30, expenditure reduced to actual election worker costs to date.
- Assessing (257) – Decrease due to vacancy savings in assessor and deputy positions.
- Human Resources (270) – Increase for continued recruitment services for all departments of the City.
- Police (301) – Increase due to significant unplanned vehicle maintenance costs (also see similar overages in fire and DPW)
- Fire (336) – The department continues to incur vehicle maintenance costs significantly over and above the original budget due to an aging fleet of fire trucks and requires a fourth amendment increase. A requirement to change out some operating supplies resulted in the proposed overage.
- Community Development (371) – One of the vehicles required significant unplanned repairs requiring an amendment.
- Public Works (441's) – Increase due to significant unplanned vehicle maintenance costs
- Community Relations (725) – Increase due to event costs and web page maintenance greater than anticipated.
- Transfers to Parks & Recreation (966) – The budgeted transfer was for capital which is no longer required given the favorable operating results of the fund.

LOCAL STREET FUND

Interest income was adjusted to reflect actual realized interest through May 2024 and to agree to the exact amount of the projected ending fund balance in the approved 2024/2025 budget.

PARKS, RECREATION, AND CULTURAL SERVICES FUND

Revenues and expenditures were increased per department's request to recognize the increased activity of this program through the end of the fiscal year and keep the projected fund balance exactly as estimated in the approved 2024/205 approved budget.

LIBRARY and LIBRARY CONTRIBUTION FUND

The library board has proposed the attached adjustments which are forwarded to the City to pass as presented.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The revenue and expenditures were amended to cover the increased grant activity through the end of the fiscal year. The CDBG fund is reimbursement based and revenues usually equal expenditures, but the amendment has excess revenues due to prior years revenue not recognized until the current fiscal year.

PEG CABLE CAPITAL FUND

Interest income was adjusted to reflect actual realized interest through May 2024. The proposed increase in expenditures is due to the unbudgeted change in scope from the original studio renovation project.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2024-5.