CITY OF NOVI
Finance and Administration Committee Meeting
March 9, 2026
To start immediately following the Ordinance Review Committee
Council Conference Room | 45175 Ten Mile Road
(248) 347-0445

CALL TO ORDER: 5:37 p.m.

ROLL CALL: Mayor Fischer, Mayor Pro Tem Casey, Councilmember Staudt

STAFF LIAISON: Victor Cardenas, City Manager

ALSO PRESENT: Danielle Mahoney, Assistant City Manager
Karen Lancaster, Financial Services Consultant
Sheryl Walsh-Molloy, Communications Director
Katherine Oppermann, Recording Secretary

APPROVAL OF AGENDA
Motion: Casey; Seconded: Staudt; Approved: 3:0

APPROVAL OF MINUTES – February 19, 2026
Motion: Casey; Seconded: Staudt; Approved: 3:0

PURPOSE OF THE MEETING

Mayor Fischer stated that during the meeting they would only be focusing on the Budget Overview due to time constraints and that any items later on the agenda would be discussed at a later date. City Manager Cardenas noted that this would not be a problem as the latter items on the agenda were provided primarily as informational materials to the Committee and decisions would not be needed yet.

1. FY 2027 Budget Overview

   Financial Services Consultant Karen Lancaster went over the FY 2027 Budget Overview presentation that had been prepared for the Committee. This included a brief history of the general fund trends from Actual Revenue/Expenditure FY 2024 and FY 2025, an amended FY 2026, an original, revised, and proposed budget for 2027, as well as forecasts for 2028 and 2029. She noted that revenue is not keeping up with expenditure and upon realizing this she and the individual departments of the City went to work to create a balanced budget for 2027 by cutting 1.8 mil in expenditure but that 2028 and 2029 will still need more work as there are a lot of capital needs and insufficient revenue to cover them. Mayor Fischer asked if there were any signs of the revenue issue becoming more rosy and Ms. Lancaster replied that unfortunately no, she does not foresee that.

   The General Fund expenditure for personnel is continuing to grow and without significant change it will be unlikely to go down. Mayor Fischer asked if the numbers shown include all contractual obligations, such as pensions, and Ms. Lancaster said yes. She also briefly noted that for those remaining defined benefit (DB) plans it will get worse before it gets better, the underfunded pension liability and employer contributions follow the same trend though it will theoretically get better when we are fully funded in 2041. She likened it to an interest-only mortgage, actuaries have a lot of factors that go into it and there are a lot of variables that go into this such as the stock market, employee pay meeting actuary expectations, discount rate, etc. We are 63% funded and pension liability is 48.9mil. Mayor Fischer asked if this information is shared with the labor union groups when we are in negotiations with them and Mr. Cardenas said yes but that it does not appear to move them.

Ms. Lancaster then went over other expenditure types noting that there is nothing too exciting here, contracts are mostly staying consistent. She then went into new construction values, how they were great from 2016 – 2019 but went sharply down during Covid and have never fully recovered since that time and we've seen a dip again in 2025. This plays directly into our taxable value, we need to have new construction to see our state tax number go up. Our revenue growth is slowing and our expenditure growth is outpacing revenue growth. State Tax Commission sets CPI rate for taxes 16% since FY23 (includes an unprecedented 5% cap for 2023 and 2024), Property and liability insurance has seen a 16% increase since FY23, Personnel (Wages, Health Insurance, Pension) is at a 25% increase since FY23, and Vehicle costs at a 25%+ increase since FY23. These are all concerns since they are paid for out of the General Fund and if our revenue is not going up they are harder and harder to fund. Mayor Fischer asked what we have done policy-wise to change vehicle costs. Mr. Cardenas said that we had changed the Police contract so that we can hold the cars longer so that we get max use out of them, the same is being down with DPW fleet. Larger trucks are difficult since they take so long to manufacture and our existing ones are already 10 years old. Mayor Fischer noted that given the increase in vehicles he will expect to see more data to base decisions on. MS. Lancaster noted that in her work with the Washtenaw County Sheriff she is seeing them switch car models away from Ford Explorers to Dodge Durangos and saving around 20 grand a vehicle. They tried Tahoes but were seeing more rapid deterioration on them. She thinks it may take a switch in whole vehicle platforms but doesn't know how much they can adjust outfitting. She has found some that were overdone in her other work so it may be worth examining.

Our personnel costs are 83% of the General Fund and taxes are at only 57%, our largest revenue is restricted on how much it can go up. IF all our revenue isn't going up as fast as our expenditures, we're going to have trouble. Mayor Fischer asked for clarification on the 57%, it seems low to him. Ms. Lancaster said for taxable is 57% and state shared revenue is 19%, we then have some investment income and charters for services. She noted that you have to be careful with investment income.

Ms. Lancaster then briefly went over the budget process for FY2027 where they identified the shortfall, had a large meeting with all City Department Heads to talk about the problem and how they needed to cut 10% out of their bidgets and they all did a great job on this – filling out individual budget impact sheets, revenues they could come up with, things that they could cut, and there were a lot of good ideas. City Manager Cardenas then reviewed all of determined which items they would use to balance the budget. They deferred many non-recurring costs, added some new revenue sources, etc. - a "potpourri of choices". On the revenue side they tried to distinguish between recurring and non-recurring, with recurring needing to balance first as non-recurring has more flexibility. The largest impact to FY 2027 is that State-Shared revenue is down $832,000, the State cut this to, in theory, put it towards roads. We did add 1.7M to the proposed FY 2027 budget which includes $378K in Tax Revenue (Increases are still above CPI but growth is slowing due to less new construction), $490K for Recycling Cost Recovery, $266K in new Fire Inspection Fees (we have not charged fire inspection fees in the past and on many occasions the are out to commercial projects many times, they are working on a structure for these new fees and they will need to go before Council for approval), $144K in increased Building Fees, and $360K one-time use of Self-Insurance Fund Balance to help absorb health care increases.

Councilmember Staudt asked about the potential of going from 83% to 75% for personnel costs and why it wasn't considered. Ms. Lancaster said it was considered and that she personally has not discounted it. She said in her opinion Dispatch should be outsourced and police cadet program should be discarded. He also asked about "tax on taxes", Ms. Lancaster said that if he is referring to admin fees 2Mil could be generated from that and it was an option but Victor had decided against it. Both Councilmember Staudt and Mayor Fischer noted that they wouldn't necessarily support that. Mayor Fischer also noted that he considers the Recycling Cost Recovery Fees a gift, he would have preferred to use those fees to something "cool" rather than plugging holes in our revenue stream. Ms. Lancaster said it is all a balancing act, Victor had to carefully weigh the options and picked what he thought would work best. She reiterated that she would support cutting the Dispatch and outsourcing that service and that this should be considered before the new public safety building is built, potentially with a new dispatch center when we can't afford dispatch. They use an outsourced model in Washtenaw County and it works well but she understands that a change of that nature can be politically difficult. Councilmember Staudt expressed that it shouldn't be assumed what he and the other Councilmembers might be willing to do politically and he wants to see all 5-year plan options. He doesn't know how we can continue running City government five years from now.

Ms. Lancaster then went over the changes from the original FY 2027 budget forecast to what was turned in. The largest impact was personnel costs at 2.9Mil. 889k for fully budgeted FTEs, 383k for pension increases (BD and DC). Mayor Fischer asked if any particular groups drove that increase and Ms. Lancaster said Police and Fire, noting that in the actuary report the police contribution is 50% of their salary which is really high, Mayor Fischer asked if the employees receive a total compensation form and Mr. Cardenas said that yes, they receive one each year. Ms. Lancaster continued: $463K for Fire Part-time and Auxiliary, $255K for Overtime, Holiday Pay and DPW Temp Staff, $423K for Health Insurance Increases, $64K for Police Contract Settling for 1% more than planned, $423K for All Other. Councilmember Staudt asked how much the Part Time and Auxiliary Fire increase was for overtime, Ms. Lancaster said she wasn't sure but could look. Mr. Cardenas said it was more the onboarding, training, equipment, committed stipends, shifts to not close stations, etc. Ms. Lancaster reiterated she could get them the numbers/percentages on that for Council. Sevices was second largest impact at 964k– Vehicle maintenance and gas, recycling costs, and all other. She noted that for "all other" it included the increase to janitorial contract, building maintenance contract, emergency communications phone maintenance, and fire recruitment. Finally, was capital impact at 678k, most of which went to Police for in-car cameras and license plate readers per contract with axion and then police vehicles. Mr. Cardenas noted that it was an error of the previous team that the camera fee was counted as a one-time cost rather than the subscription fee that it is. It was noted that the full organization was reminded to pay close attention to such things and to be sure recurring costs were properly noted.

Ms. Lancaster then reviewed a budget impact summary, noting that we are now $240,000 to the good for the 2026/2027 Fiscal Year. Following this she displayed a graph for the fund balance and that based on their projections show us dipping below 28%, which is not the right direction to go in per our policy that it should not dip below 25%. Looking at a 5-year projection, we are balanced for 2027, a little unbalanced in 2028, and by 2029 a million dollars off between recurring revenues and recurring expenditures which will only continue to go on without changes being made. Councilmember Staudt asked how we were going to deal with this now then, rather than waiting for it to be more painful later. Mr. Cardenas said they were here now so that they can work on it now, this far in advance. Both Mayor Fischer and Mr. Cardenas noted past issues with how the budget was presented to Council, that previous fiscal models were badly done.

Ms. Lancaster talked briefly about expectations that were built into the model, that they were conservatively done, and also remarked that she is concerned. We cannot keep up what with what is being done, we need to take care of things and a large chunk of that is Public Safety. She noted that we need our own police and fire but that dispatch can be outsourced and is a good start. Councilmember Staudt noted that dispatch is "low handing fruit" and would be interested to know what the harder stuff would be. He briefly spoke on how everyone's salaries have gone up over the last decade, including in the private sector but unlike private sectors we cannot raise costs, we cannot unilaterally raise taxes without going to the voters. Ms. Lancaster said there are a lot of opportunities but that none of them are comfortable. She says she would plan for the three years out to be balanced and that may mean cutting positions. She also noted that it could be easier to make the hard choices now when they have her on board as a consultant as they can point out that she is the one making these recommendations without predisposed notions. The idea of cutting the Economic Development role (currently unoccupied) was also briefly discussed, Ms. Lancaster suggesting it be cut but Mayor concerned that economic development is the only way out of this mess. The plan to fill the position as a downgraded manager role rather than director, at a lesser cost, was also briefly discussed.

Councilmember Staudt asked what business has 85% personnel costs, Ms. Lancaster said it is very common in government because it is a service organization with personnel delivering services. She did note it shouldn't continue to grow as a percentage of expenditures and that the expectations of service need to be balanced with the percentage of personnel. Whatever happens there need to be enough votes on the same page, the budget has to pass with a super-majority of

Council. Mayor Fischer expressed that he thinks that will be the easy part, if they present the shortfalls and what will be necessary. He won't support an unbalanced budget in years 2 and 3.

Public Safety costs were discussed some more. Overtime was noted as being excessive. Ms. Lancaster did again note the option to outsource dispatch, which would mean we would lose the South Lyon contract.

Mayor Pro Tem Casey said she felt verklempt looking at the model presented, she had thought they had more time. Mr. Cardenas noted that it has been this bad for a few years but it had been masked. Mayor Fischer said that he wants to see all the opportunities, he thinks more needs to be done and that they need to understand more of the numbers. He also stressed that he needs to see proposals throughout the organization, not just Public Safety. Ms. Lancaster pointed out that everyone did take part and is part of the change, Mayor would like to see that expressed, he is not yet sold and needs to see the data showing that everyone through the organization has done everything they can. Ms. Lancaster says they have a summary list that the group can take a look at. Mayor agreed, staff can decided how that is presented but he needs to see it.

2. Council Chambers Refresh

   Not discussed during course of meeting

3. Consultant List Review
   a. Website Provider Contract
   b. Environmental (Woodland/Wetland) Consultant
   c. Meadowbrook Commons Management

   Not discussed during course of meeting

AUDIENCE COMMENTS: None

ADJOURNMENT: 6:31 p.m.
Motion: Fischer; Seconded: Casey; Approved: 3:0