

2027 Budget Overview

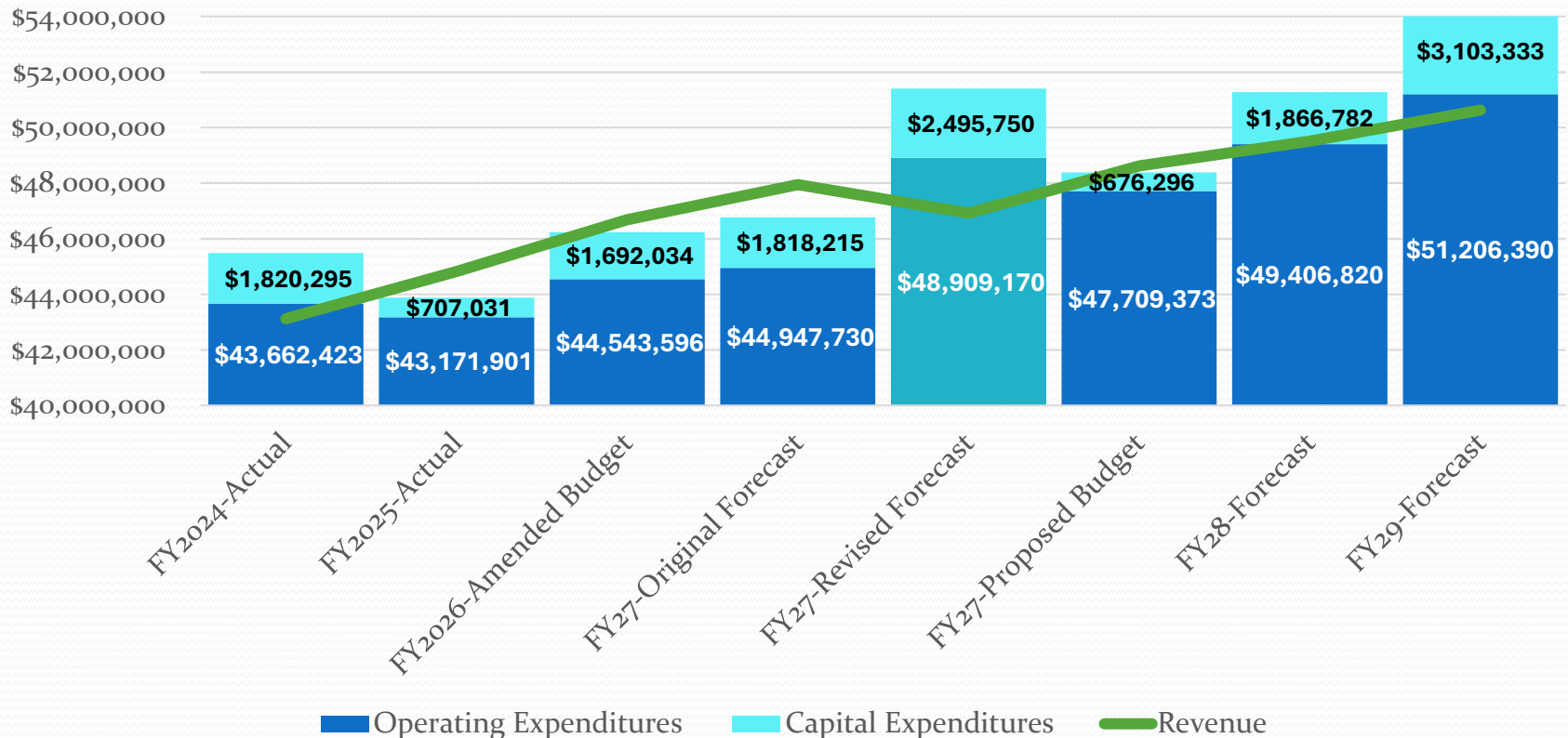
March 9, 2026

Today's Agenda

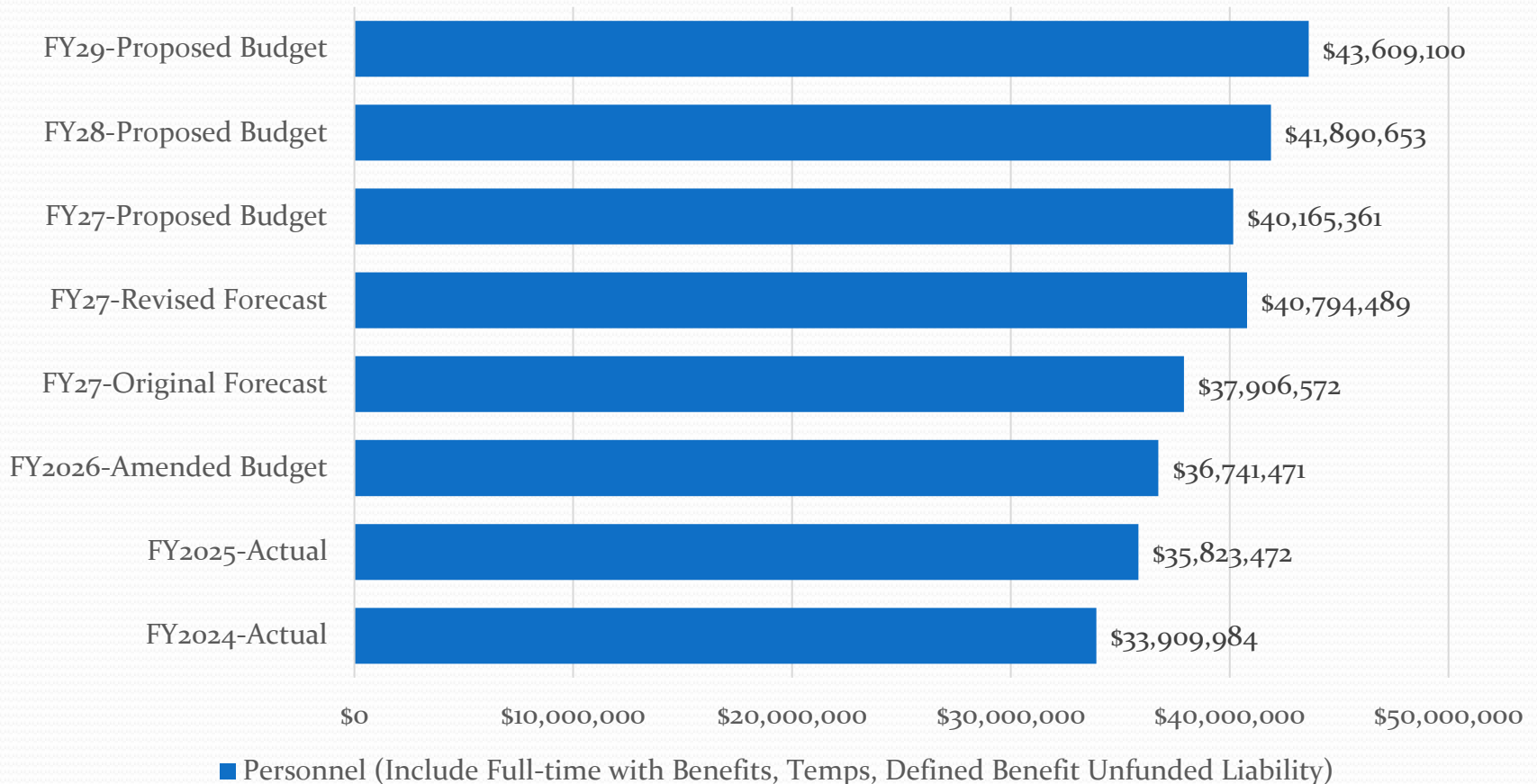
- Budget Assumptions and Economic Impact
 - How did we get here?
 - General Fund Revenues and Expenditures
- Budget process
 - Budget Impacts
- Fund Balance of General Fund
- Questions?

General Fund Trends

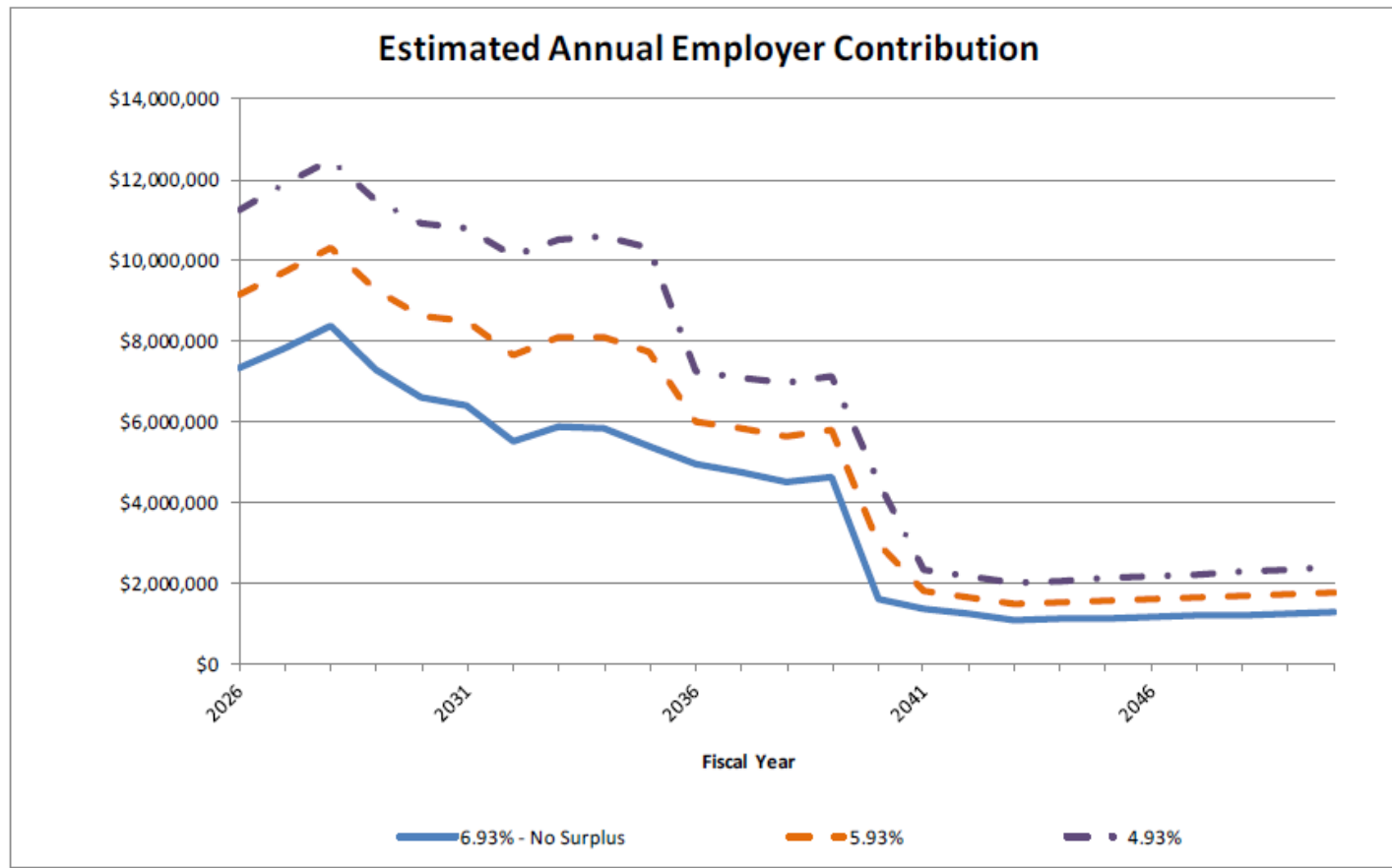
Revenue and Expenditure Trends in the General Fund



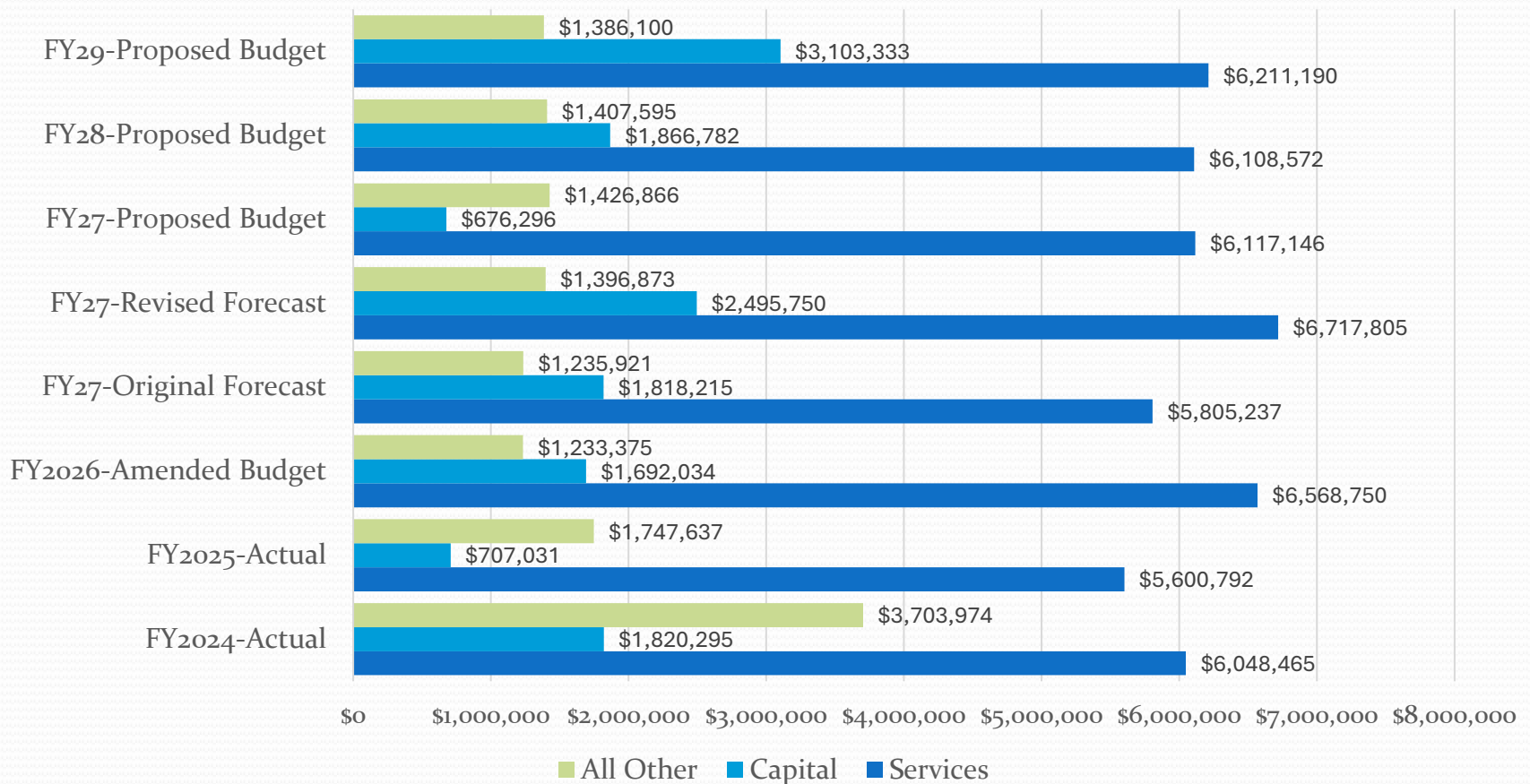
General Fund Expenditures by Type-Personnel



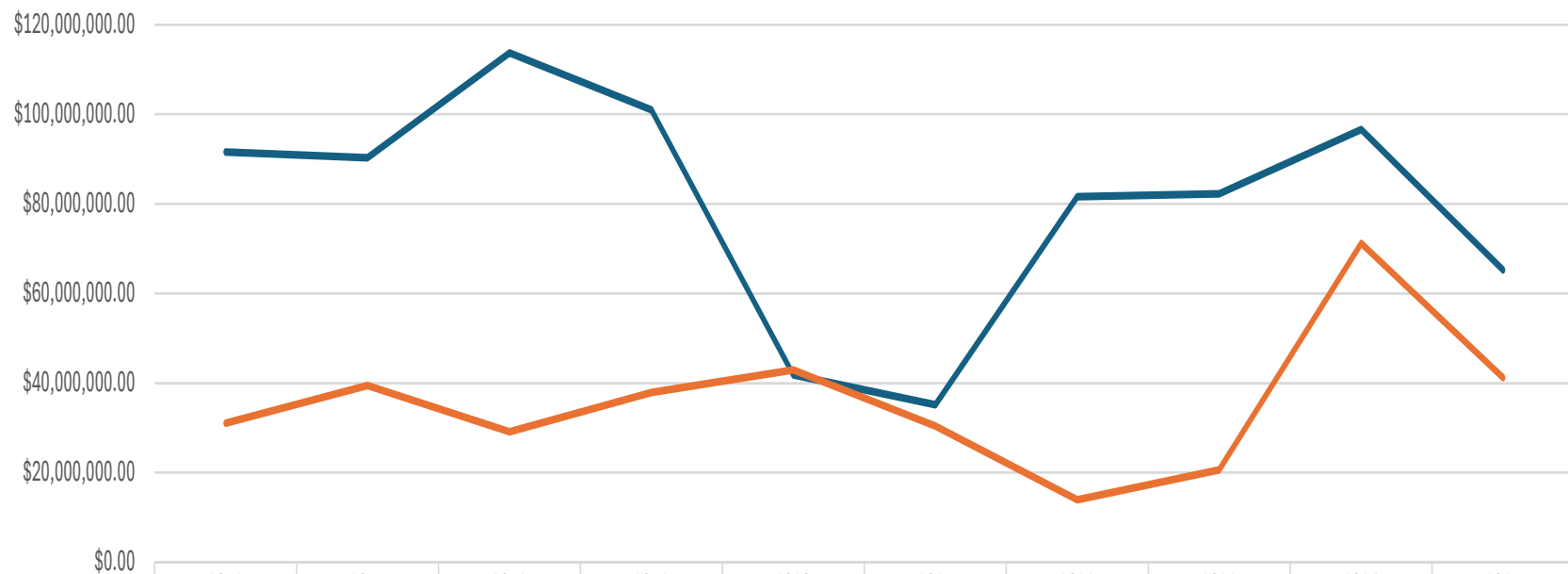
Unfunded Pension Liability



General Fund Expenditures by Type-Services, Capital, All Other



New Construction Values



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Commercial Building Permits	\$91,552,573.00	\$90,296,432.00	\$113,734,193.00	\$101,034,599.00	\$41,843,436.00	\$35,181,665.00	\$81,617,892.00	\$82,277,787.00	\$96,570,242.00	\$65,287,417.00
Residential/Multifamily Building Permits	\$31,092,827.00	\$39,452,293.00	\$29,135,510.00	\$37,944,839.00	\$42,905,513.00	\$30,430,270.00	\$13,994,863.00	\$20,588,132.00	\$71,225,124.00	\$41,230,959.00

Budget Assumptions and Economic Impacts

- Revenue growth is slowing
- Expenditure growth is outpacing revenue growth
 - Types of inflation-
 - State Tax Commission sets CPI rate for taxes-16% since FY23 (includes an unprecedented 5% cap for 2023 and 2024)
 - Property and liability insurance-16% increase since FY23
 - Personnel (Wages, Health Insurance, Pension)-25% increase since FY23
 - Vehicle costs-25%+ increase since FY23

Budget Process for FY27

Initial Forecast

- Original Deficit of \$5.6 Million Identified
- Shortfall was ~10% of the budget

Budget Kickoff

- Departments were asked to come up with ideas valued at 10% of their expenditure budget, either in cuts or new revenue.
- Budget Impact Sheets were introduced and prepared by departments.

Final Review

- City Manager reviewed all budget impacts and decided how best to balance the budget.
- Deferred many non-recurring costs, added new revenue sources, cut expenditures

Review of the budget process-

General Fund Revenue changes

- Finance prepared a revenue forecast that projected a \$1 million reduction from last year's FY27 estimate
 - Largest impact is state-shared revenue-\$832K
- New Revenues of \$1.7M were added to the proposed FY27 budget including:
 - \$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
 - \$144K in increased Building Fees
 - \$360K one-time use of Self-Insurance Fund Balance to help absorb health care increases

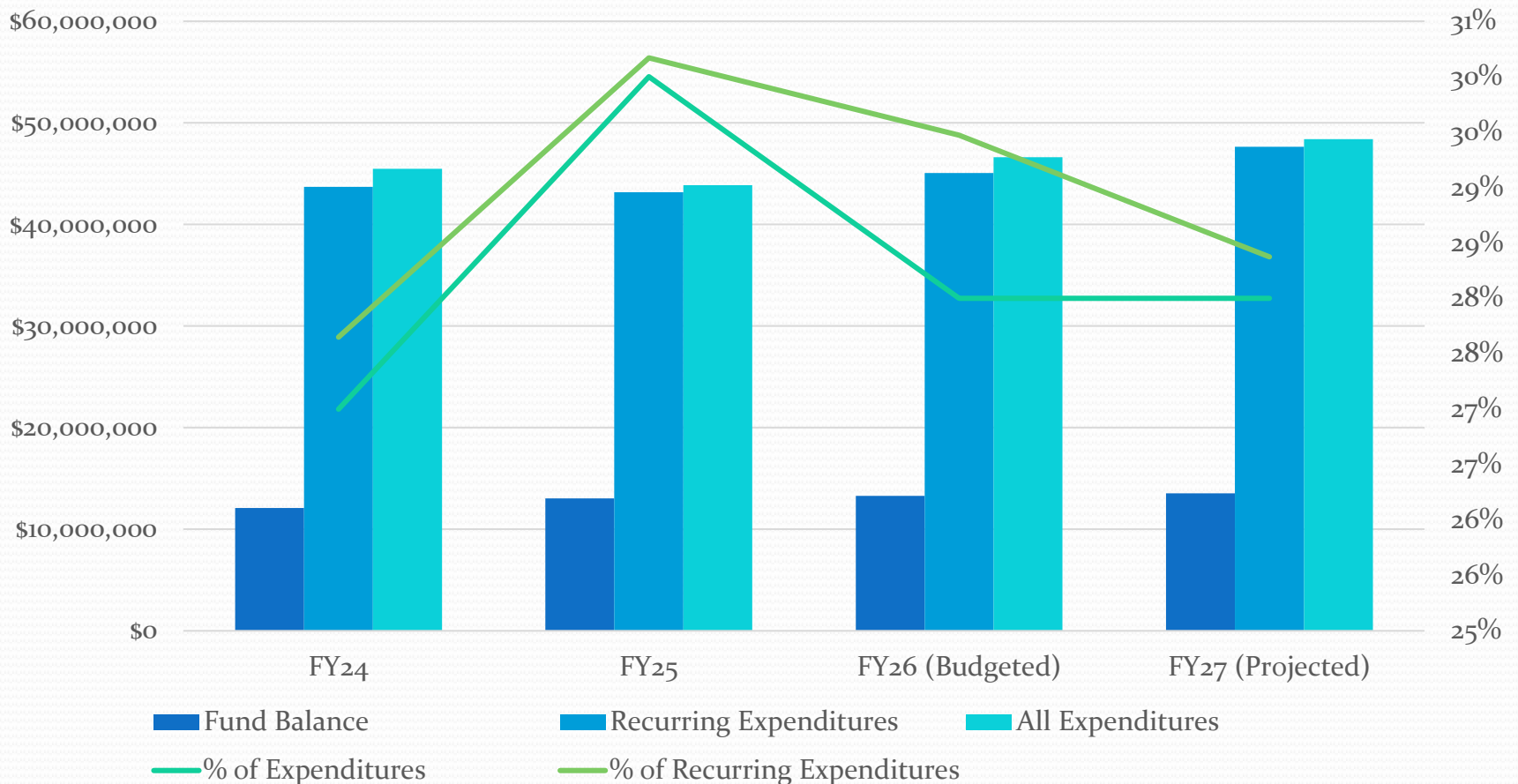
Review of the budget process- General Fund Expenditure Changes

- Departments prepared **changes** to the FY27 original budget forecast shared with Council-\$4.6 million increase
 - Largest impact was Personnel Costs-\$2.9 million
 - \$889K-Fully Budgeted for all FTEs
 - \$383K for Pension Increases (DB and DC)
 - \$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
 - Services was the second largest impact-\$964K
 - \$340K-Vehicle Maintenance and gas (\$200K is Fire, \$56K is Police, \$75K is DPW)
 - \$263K-Recycling costs
 - \$361K-All Other
 - Capital was the third largest impact-\$678K
 - \$476K-Police vehicles moved to the General Fund due to depletion of forfeiture revenue
 - \$200K-Election Equipment

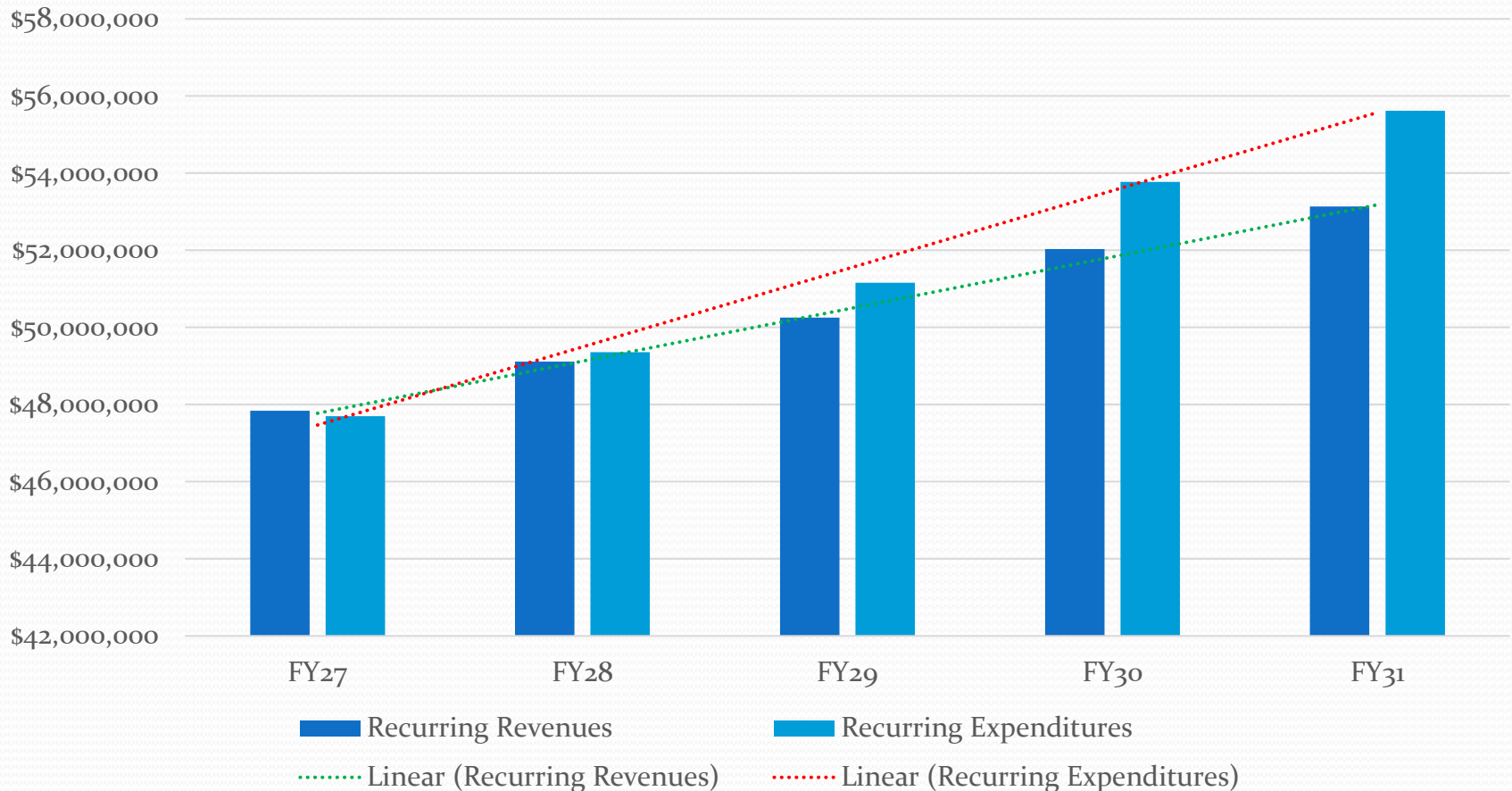
Budget Impact Summary

2026-2027 Budget Impacts			
	Forecasted Revenues	Forecasted Expenditures	Surplus (Shortfall)
Recurring	\$ 46,492,214	\$ 48,909,170	\$ (2,416,956)
One-time	\$ 425,000	\$ 2,495,750	\$ (2,070,750)
Total	\$ 46,917,214	\$ 51,404,920	\$ (4,487,706)
Budget Impacts-Recurring	\$ 1,348,484	\$ (1,210,737)	\$ 2,559,221
Budget Impacts-One-time	\$ 360,332	\$ (1,808,514)	\$ 2,168,846
Remaining Surplus (Shortfall) for FY2026-27	\$ 48,626,030	\$ 48,385,669	\$ 240,361

Fund Balance of the General Fund



General Fund Five-Year Projection



Questions or Feedback?

- Please contact Karen Lancaster at klancaster@cityofnovi.org.