CITY OF NOVI CITY COUNCIL
JUNE 23, 2025

SUBJECT: Approval of resolution to authorize Budget Amendment #2025-6

SUBMITTING DEPARTMENT: Finance

KEY HIGHLIGHTS:

- General Fund increase to fund balance $2,365
- General Fund budget shortages for paid on-call and auxiliary recruitment along with staffing shifts
- Parks funding for Villa Barr pathway
- CIP funding of Villa Barr Pathway and new public safety building costs

BACKGROUND INFORMATION:

The City's annual budget is adopted by the third Monday in May each year and is effective July 1st each year. In accordance with the State Budget Act, budget amendments are to be 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.

The proposed budget amendment resolution and budget amendment details are attached for the projects/initiatives as follows:

GENERAL FUND 101

Revenue

- Penalty and interest revenue on the current tax year came in $17,125 higher than originally estimated.
- The City was reimbursed by our insurance provider for several vehicle repairs ($48,750).
- Personal property tax reimbursement from the State of Michigan's Local Community Stabilization Authority (LCSA) was $14,110 higher than estimated.

- State Shared Revenue is predicted to be $60,000 higher than the current budget as of June 16, 2025 state website estimator.
- Actual interest on Trust and Agency Funds is $358,255 greater than the current budget. The trust and agency fund (tax fund) is closed out for the year, and no additional interest revenue will be earned.
- Interest on investments is estimated to end the year $145,000 greater than the current budget.
- Total additional revenue is estimated to be ***$643,240***.

Expenditure

- Additional funds are needed in the finance department budget to account for the final payout of the finance director's PTO as well as for professional services to assist the finance department in the director's absence. A total proposed increase of $32,500.
- City Hall electricity costs are higher than originally expected. The same can be seen in the Parks and Recreation budget (which will be discussed below). City hall's proposed increase is $20,000.
- New fire recruit hiring costs have far exceeded budget and continue to grow. The proposed budget amendment includes an additional **$15,000** for new recruit unforms, **$16,700** recruitment-POC, and **$40,000** for training. Chief Martin stated the City has hired over 40 new members since February of 2022. Costs for new hires include (but are not limited to) physical agility testing, an outside firm to conduct background investigations, a physiological exam, a medical exam, uniform/bunker gear, training programs (including equipment, uniforms, books), and salary for working training shifts. The number of new hires without any training far exceeds those that come to the City with previous experience. The cost of the training program, Firefighter I/II and EMT-B through community colleges is the largest of the expenses. Each program requires specific equipment, uniforms, and books for each program. In the past, these specific items were not required as the City utilized neighboring departments for the training. With the lack of these programs available now, the costs have risen significantly. The cost of equipment and uniforms has also risen over the past several years. In addition, background checks in the past were done in-house, today, background checks are outsourced at $950 each. The proposed budget includes **$14,300** for medical service fees for the new recruits (background checks and medical exams). It is important to note, the POC recruitment costs are still less than if the City were to go with a 24-hour full-time fire department. The recruitment costs need to be addressed.
- In an effort to recruit top talent, stipends were provided to new firefighters who came in with some level of training. The memo of understanding for the stipends was signed after the FY 2025 budget was approved and it was unknown what the stipends would amount to. The stipends were successful in bringing in new recruits; however, at a cost to the City. In addition, stipends are provided to those part-time officers based on the number of shifts they work. Again, in an effort to ensure shifts are being fully staffed. The stipend was not included in the original budget based on the timing of the signed contract. Both of these stipends are included in the proposed budget of **$106,625**.

- The remaining fire personnel increases of $90,000 (POC) and $110,000 (Aux firefighters) are due to ensuring proper coverage and training of the recruits. POC and Aux must be staffed with fully trained staff for each shift as well as recruits being staffed as they work to become fully trained. The doubling up of staff is causing additional costs to both of these personnel lines. Once each recruit is fully staffed, the City will see these lines decrease in costs and level off to previous year's levels.
- Fire vehicle maintenance has a proposed budget increase of $48,750 due repairs on the fire engines as the City awaits the new fire engines.
- Community development salary and wages are proposed to increase $150,000. A discrepancy was identified as year-end approached, seeing the salary and wages line item lower than it needed to be. This change rectifies that shortfall.

As a reminder, the original budget for fiscal year 2025 had a planned increase to fund balance of $745,111. City council voted to use $160,000 and $25,000 for the Long Range Strategic Plan, Plante Moran Realpoint and futurist. The June 2, 2025 budget amendment increased fund balance by $347,000; however, during the council meeting, council voted to move the $347,000 to the Public Improvement Fund to fund future capital.

PARKS, RECREATION, AND CULTURAL SERVICES FUND 208

At the January 27, 2025 Council Meeting held at Fox Run, Mayor Fischer stated the need for a pathway at Villa Barr. He suggested funding be provided from the $75,000 of older adult vehicle sales (the revenue was previously included in a budget amendment to increase fund balance, the current budget amendment shows the use of fund balance for a net $0 effect), $68,000 for the sale of the property at the water tower, reduction of $40,490 of current year expenditures for not purchasing a budgeted OAS vehicle, and $112,500 of savings from the older adult transportation being outsourced to PEX. The total savings and income from the sale of assets provide $300,000 for the proposed pathway. Additional proposed budget amendments are to reflect year-to-date activity for the various programs of the Parks and Recreation Fund.

CAPITAL IMPROVEMENT FUND 401

The proposed budget amendment reflects actual revenue receipts for the splash pad donations, donation for the purchase of Shawood Lake Island, and additional funding provided by the State of Michigan LCSA personal property taxes. On the expenditure side, the purchase of land around the water tower was made from the CIP fund, therefore the revenue from the sale of the small section of this property was recorded here. The CIP fund will use the $68,000 from the sale to assist in funding the Villa Barr pathway. In addition, in order to keep all costs regarding the new public safety building property in one location, the CIP fund has recorded expenditures related to Geotech services on the land for the location of the new public safety building.

ICE ARENA FUND 570

The ice arena budget amendment estimates annual revenue and expenditures for the remainder of the year. Big ticket items for the building maintenance at the arena include but are not limited to: rubber flooring in bleachers, top end rebuild on compressor, rental of generator, many repairs to the dehumidifier, and repairs to the hot water/pump/boiler.

SELF INSURANCE FUND 677

The City is self-insured for all employees who have HAP health insurance plans. In the prior years, only Blue Cross and Priority were premium based plans. Beginning in January 2025, the Priority high-deductible plan was transferred to a HAP high-deductible plan and became part of our self-insurance fund. The claims have increased above our original planned budget. It is estimated the fund will end the year with a fund balance of $2.7 million.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2025-6.