CITY OF NOVI CITY COUNCIL
JUNE 2, 2025

SUBJECT: Approval of resolution to authorize Budget Amendment #2025-5

SUBMITTING DEPARTMENT: Finance

KEY HIGHLIGHTS:

- Increase to General Fund fund balance of $347,000
- Net zero impact Parks and Rec, Forfeiture, Water and Sewer and Self Insurance Health Care funds fund balances.
- Library Board approved budget amendments
- CDBG amendment to increase fund balance for prior years deferred revenue.

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. Amendments between line-items within the same budget function (that do not have any impact on fund balance) are managed at the administration level. Historically the administration has presented quarterly budget amendments, but several contracts have been awarded or will be awarded for projects that were not part of the adopted budgets to date.

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

GENERAL FUND 101

The proposed budget amendment reflects an increase to fund balance from recurring operating interest income of $347,000. Total revenues are proposed to increase $23,530 in state grants to offset the increase in expenses by $23,530 for the purchase of an electric gator. The purchase of the gator is below the City's $25,000 purchasing policy and therefore, did not go before the Council for approval, The City received $126,900 of EECBG Equipment Rebate grant funds which application for the grant was previously approved by council. See green highlighted lines on attached detail. Total operating interest income increases $378,460 based on a conservative request during the initial budget process in the prior year. **All other amounts being amended are only moving budgeted costs between departments.**

The budget amendment shifts insurance savings from one department to cover insurance overages in another. See the orange highlighted lines.

City Council approved a new janitorial contract on November 12, 2024. It was determined that the original janitorial services were not consistently meeting the needs of the City and the City concluded to terminate their services and contract with GDI Integrated Facility Services at an estimated increase in cost of $28,000 annually. The motion sheet on November 12, 2024, stated "The current year-to-date interest income is higher than expected, and the additional income will be available to cover the additional janitorial costs; this will be reflected in the 2nd quarterly budget amendment." The budget amendment was pushed back to the 3rd quarter using interest income, as stated on the November 12th motion sheet, to cover the additional cost of the contract. See grey highlighted rows.

On February 10, 2025, the council approved the use of the Economic Development Department to fund the purchase of rifle vest plates for the Police Department. In addition, the Economic Development Department savings are being used to fund the Historical Commission purchase of a microfiche reader. See blue highlighted rows.

The amendment also moves the current budget in the General Fund for a contribution to the Forfeiture Fund for vehicle purchases from a "transfers out" account to an "operating" expenditure account. This change is a mandated change from the federal government (change in the Forfeiture Fund as well). Since COVID, the federal forfeiture funds have been slow to come into the City; therefore, the funds are not available to purchase budgeted vehicles requiring the General Fund to make up any difference. See yellow highlighted rows.

The remaining pink highlighted rows are moving budgeted savings in some departments to cover known overages year to date in other departments.

PARKS, RECREATION AND CULTURAL SERVICES FUND 208

The amendment proposes increasing program revenues and expenses for year-to-date actuals. The parks staff estimated revenue and expenses based on estimated enrollment in programs. The programs can have more or less depending on the season.

FORFEITURE FUND 262

As stated above, the budgeted "transfer in" to the forfeiture fund from the General Fund is required to be moved from the transfers revenue account to an operating account for the expenditures being covered by to the General Fund.

LIBRARY FUND 271 AND LIBRARY CONTRIBUTION FUND 272

The amendment reflects the Library Board approved budget amendments.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND 274

The proposed increase to revenue adjusts revenue from the prior year deferred revenue (following governmental accounting rules). The amendment eliminates the deficit reported in the 6/30/24 audit due to the timing of the grant reimbursement.

WATER AND SEWER FUND 592

The increase in revenue and expenses (net zero) covers an insurance claim reimbursement and corresponding expenses to fix the damage.

SELF INSURANCE – HEALTH CARE FUND 677

The Self Insurance Health Care Fund tracks health insurance claims through a HAP administered plan. Individual funds area charged premium based insurance rates called "illustrative rates" to cover actual claims and administrative costs along with creating a reserve for possible significant future claims. Beginning January 1, 2025, the city's high-deductible plan was moved from Priority Health to HAP as well. The additional plan moving to the self-insured heath care fund required an amendment for the additional expenses and revenues related to that move.

RECOMMENDED ACTION: Approval of resolution to authorize Budget Amendment #2025-5.