



BUDGET MESSAGE



March 27, 2017

Momentum

Every organization that has come through challenging times hits a point where things start coming together. It is hard to pinpoint how or when that happens, but once the organization starts to gain momentum, it is hard to stop.

Novi is experiencing a great deal of **momentum**, but there are still forces holding us back. We are still held to the State of Michigan's financial whims and dysfunction for funding local governments. The budgets for State Government and Education continue to experience growth, yet local communities have lost \$7 billion in revenue sharing (Michigan Municipal League 2014 Review article). The "revenue sharing heist," combined with Headlee Rollback and Proposal A of 1994, put most local governments behind the eight ball for revenue streams. To top it off, the property value drop from the Great Recession lowered taxable values in such a way that Michigan communities will not experience recovery for 20 years.

Yet, despite these external trials the future is bright. Every challenge has opportunities. The City of Novi has made some very good decisions on spending (or more accurately, not spending). Spending was capped, employee numbers were frozen or reduced and maintenance activities were scaled back. Over the past two years, we have concentrated our attention on extending the life of our assets through a cost-effective and strategic approach.

Novi's Finance Department has been working on perfecting a two-year budget cycle. This has improved our staff's efficiency during budget preparation because when the second year of the budget is projected accurately, it takes less time to refine the numbers. With momentum in Novi trending in the right direction, our focus remains on the accuracy of our budget forecasts. Now, with a focused eye, we must maintain our diligence and precisely execute the budget plan enclosed

There are some expenditures that remain out of our purview. The largest of these are the City's pension responsibilities. The City's pension contribution has increased by approximately \$800,000, of which \$700,000 is scheduled to come from the General Fund (the actuary changed the mortality rate and decreased the average rate on return).

Getting things moving

The General Fund is balanced, including \$1,500,000 in expenditures from the Capital Improvement Plan (CIP) and \$1,200,000 from the Service Improvement Program (SIP). We are gearing up for the projects from

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last year's CIP millage where the CIP Fund has budgeted \$25,000,000 of new projects that will work their way through the system.

With the voter-approved CIP millage, we now have a reliable funding source to replace important yet expensive items in our aging fleet, such as fire engines, without burdening the already stretched General Fund. We also will be able to improve some of our park amenities, complete non-motorized routes in the community and provide upgrades to some of our facilities that will continue to pay dividends well into the future.

There was also a request from City Council to get projects moving at a quicker rate and staff is working on that. The Street and Drain Funds are spending down all current revenues and fund balances reserves to Council minimums, including completing jobs sooner.

In their initial year, new cable/Public Access Television (PEG) operations and the activities in the Rubbish Fund have been a success and are budgeted for into the future.

The only debt left outstanding for the City is the Novi Public Library which was constructed six years ago. The Enterprise funds include revenue and debt service from the operations of Meadowbrook Commons and Ice Arena additionally one water and sewer Special Assessment District (SAD) SAD which will be paid off in the upcoming 17/18 fiscal year.

Novi's overall millage rate is still one of the lowest in Oakland County. It is proposed to increase slightly from 9.95 to 10.5376 mills (increase of only .5876), including the recently voter-approved 1 mill levy for the CIP Fund.

Our focus remains on Economic Development, and though we lost the Economic Development Director's position in a past budget, we are recommending funding for the position with emphasis on growing our Headquarters and Research and Development footprints.

Typically, communities are about two years behind the private sector when it comes to a downturn or growth. In Novi, that growth is happening now and we are working to seize that **momentum** and shape an even more robust future.

Respectfully submitted,

Peter E. Auger
City Manager