



**CITY OF NOVI CITY COUNCIL
JANUARY 23, 2023**

SUBJECT: Approval of resolution to authorize Budget Amendment #2023-3.

SUBMITTING DEPARTMENT: Finance

BACKGROUND INFORMATION:

The City's annual budget is adopted by the third Monday in May each year and is effective July 1st each year. The budget is adopted at a function level (vs. line item). In accordance with the State Budget Act, budget amendments are 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. The amendments are based on actual and projected activity-to-date.

The second quarter budget amendment resolution and budget amendment detail are attached. The following is a summary of the significant items proposed within this amendment:

GENERAL FUND

This budget amendment reflects a net zero effect to General Fund balance and keeps the fund within Council set limits. Therefore, the fund balance will remain at the projected balance of \$13,849,694 with revenues and expenditures each increasing \$288,430. The following are highlights of some of the significant items included in the proposed budget amendment:

Revenues:

- Property Tax Revenue - Increase in the amount of \$100,000 to reflect actual billings per the July 1, 2022, tax roll and less than anticipated chargebacks to date from tax appeals.
- State-Shared Revenue – Increase in the amount of \$258,550 to reflect anticipated additional revenues to be received over and above the amended budget based on the current estimate from the State of Michigan Department of Treasury.
- Building Permit Revenue – Decrease in the amount of \$132,620 as building activities continue to be negatively impacted by higher interest rates due to

inflation and higher material costs. Supply chain issues including workforce shortages and products/goods/material shortages have been ongoing since the onset of the COVID pandemic and revenues are still not rebounding as quickly as anticipated.

Appropriations:

- Personnel Services – Increase in the amount of \$146,900 including reimbursable costs in the amount of \$35,400 for election-related and TIA grant related expenditures. Personnel services expenditure budgets also increased to cover final leave time payouts (\$32,000), increased election-related part-time staffing (\$20,000), increase in the use of community relation part-time personnel (\$20,000), TIA grant overtime (\$15,400), and net increase in insurance costs (\$59,500) from personnel changes.
- Other Services and Charges – Increase in the amount of \$136,040. Other Services and Charges expenditure budgets were increased primarily related to election worker staffing needs (\$33,030), human resource-related legal fees and professional services for ongoing negotiations and arbitration (38,000), and contractual services for private development site plan reviews during DPW position vacancies (\$45,600).
- Capital Outlay – Zero net effect to fund balance. Light-duty vehicle expenditure budgets need to be reallocated between departments to cover increased pricing and lack of availability of certain models. The challenging global automotive environment was communicated to City Council back in August/September 2022 in anticipation of inventory limitations and increases in model year pricing.

MAJOR, LOCAL AND MUNICIPAL STREET FUNDS

The Local Street Fund expenditure budget related to the Industrial Business Parks Road Rehabilitation Project in the amount of \$460,000 was moved to the Major Street Fund since the State has approved the streets as major instead of local for ACT 51 purposes. Also, \$11,600 in local community stabilization revenue needs to be recognized which offsets anticipated increases in sidewalk/maintenance expenditures. To keep the Major, Local, and Municipal Street Funds within Council set limits, the amendment includes transfers between the three street funds as well.

PARKS, RECREATION, AND CULTURAL SERVICES FUND

The budget amendment proposes a net zero effect to fund balance by increasing revenue and expenditure budgets each by \$170,500. A new Mackinaw Trip for seniors took place resulting in a need to increase both revenue and expenditure OAS travel program budgets by \$50,000 each. Parks and recreation program revenues are trending higher than anticipated through the second quarter, so the budget amendment increases the revenue budget by approximately \$117,000. The OAS transportation program is trending similar to last year, so the expenditure budget is being increased \$50,000 to bring the budget in line with projected activity. Also, the capital expenditure

budget is being increased due to a change in the model/type of vehicle being purchased.

DRAIN FUND / DRAIN PERPETUAL MAINTENANCE FUND

The Drain Fund revenue budget is being increased \$505,580 to recognize actual property tax revenue in the amount of \$17,100, the local community stabilization grant in the amount of \$4,900, and the transfer in from the Drain Perpetual Maintenance Fund in the amount of \$483,580. The actual bids from the Lake Shore Tunnel project came back higher than anticipated so the transfer in is needed to fund the project (the project is also being funded out of the CIP Fund).

FORFEITURE FUND

The Forfeiture Fund federal revenue and expenditure budgets are being increased by \$78,530 each with a zero net effect to fund balance to bring the revenue budget in line with actual activity to date.

SELF INSURANCE - HEALTH CARE FUND

The budget amendment proposes a net zero effect to fund balance by increasing the insurance revenue budget and claim expenditure budgets each by \$1,205,000 to bring the budget in line with current and anticipated activity. The City is required to pay all claims first and is then reimbursed for all claims over the stop-loss deductible amount of \$100,000.

RETIREE HEALTH CARE BENEFITS FUND

The budget amendment proposes a decrease to fund balance in the amount of \$150,000 based on higher than anticipated retiree insurance costs-to-date.

RECOMMENDED ACTION: Approval of Resolution to Authorize Budget Amendment
#2023-3

RESOLUTION

NOW, THEREFORE BE IT RESOLVED that the following
Budget Amendment# 2023-3 is authorized:

	INCREASE (DECREASE)
GENERAL FUND	
REVENUES	
Property Tax Revenue	100,000
State Sources	275,750
Licenses, Permits, and Charges for Services	(132,620)
Other Revenue	20,000
Donations	9,900
Federal Grants	15,400
TOTAL REVENUES	\$ 288,430
 APPROPRIATIONS	
City Manager	
Personnel Services	32,000
Finance Department	
Personnel Services	15,000
Assessing Department	
Capital Outlay	(26,340)
City Clerk	
Personnel Services	20,000
Supplies	5,000
Other Services and Charges	33,030
Integrated Solutions - FM: Parks Maintenance	
Capital Outlay	37,040
Human Resources	
Other Services and Charges	38,000
Community Relations	
Personnel Services	48,500
Other Services and Charges	9,900
Economic Development	
Personnel Services	16,000
Police Department	
Personnel Services	15,400
Fire Department	
Other Services and Charges	10,000

	INCREASE (DECREASE)
Community Development - Building	
Capital Outlay	(10,000)
Community Development - Planning	
Capital Outlay	(29,430)
Department of Public Works - Engineering	
Other Services and Charges	45,600
Department of Public Works - Fleet Asset	
Other Services and Charges	(490)
Capital Outlay	29,220
TOTAL APPROPRIATIONS	\$ 288,430

Net Increase (Decrease) to Fund Balance **\$ -**

Ending Fund Balance	\$13,849,694
Fund Balance as a % of total annual expenditures	32%

MAJOR STREET FUND

REVENUES	
Transfers in	460,000
TOTAL REVENUES	\$ 460,000
APPROPRIATIONS	
Capital Outlay	460,000
TOTAL APPROPRIATIONS	\$ 460,000

Net Increase (Decrease) to Fund Balance **\$ -**

Ending Fund Balance	\$1,094,807
Fund Balance as a % of total annual expenditures	15%

**INCREASE
(DECREASE)**

LOCAL STREET FUND

REVENUES

Transfers In	(460,000)
TOTAL REVENUES	\$ (460,000)

APPROPRIATIONS

Capital Outlay	(460,000)
TOTAL APPROPRIATIONS	\$ (460,000)

Net Increase (Decrease) to Fund Balance **\$ -**

Ending Fund Balance	\$870,006
Fund Balance as a % of total annual expenditures	11%

MUNICIPAL STREET FUND

REVENUES

State Sources	11,600
TOTAL REVENUES	\$ 11,600

APPROPRIATIONS

Maintenance	11,600
Transfers Out	-
TOTAL APPROPRIATIONS	\$ 11,600

Net Increase (Decrease) to Fund Balance **\$ -**

Ending Fund Balance	\$2,720,056
Fund Balance as a % of total annual expenditures	30%

**INCREASE
(DECREASE)**

PARKS, RECREATION, & CULTURAL SERVICES FUND
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REVENUES

Program Revenue	117,520
Older Adult Program Revenue	50,000
State Sources	2,980
TOTAL REVENUES	<u>\$ 170,500</u>

APPROPRIATIONS

691	Capital Outlay	55,500
693	Other Services and Charges	15,000
695	Older Adult Program Expenditures	100,000
TOTAL APPROPRIATIONS		<u>\$ 170,500</u>

Net Increase (Decrease) to Fund Balance **\$ -**

Ending Fund Balance	\$1,165,859
Fund Balance as a % of total annual expenditures	35%

DRAIN FUND

REVENUES

Property Tax Revenue	17,100
State Sources	4,900
Transfers in	483,580
TOTAL REVENUES	<u>\$ 505,580</u>

Net Increase (Decrease) to Fund Balance **\$ 505,580**

DRAIN PERPETUAL MAINTENANCE FUND

APPROPRIATIONS

Transfers Out	483,580
TOTAL APPROPRIATIONS	<u>\$ 483,580</u>

Net Increase (Decrease) to Fund Balance **\$ (483,580)**

	INCREASE (DECREASE)
FORFEITURE FUND	
REVENUES	
Fines and Forfeitures	56,090
Other Revenue	22,440
TOTAL REVENUES	\$ 78,530
APPROPRIATIONS	
Capital Outlay	78,530
TOTAL APPROPRIATIONS	\$ 78,530
Net Increase (Decrease) to Fund Balance	\$ -

2008 LIBRARY CONSTRUCTION DEBT FUND	
REVENUES	
Property Tax Revenue	60,400
State Sources	10,600
TOTAL REVENUES	\$ 71,000
Net Increase (Decrease) to Fund Balance	\$ 71,000

PEG CABLE CAPITAL FUND	
APPROPRIATIONS	
Capital Outlay	20,000
TOTAL APPROPRIATIONS	\$ 20,000
Net Increase (Decrease) to Fund Balance	\$ (20,000)

WATER & SEWER FUND	
REVENUES	
Special Assessment Interest	154
Interest Income	(160,154)
Capital Contributions	160,000
TOTAL REVENUES	\$ -
Net Increase (Decrease) to Fund Balance	\$ -

	INCREASE (DECREASE)
SELF INSURANCE - HEALTH CARE FUND	
REVENUES	
Other Revenue	1,000,000
Licenses, permits, and charges for services	205,000
TOTAL REVENUES	\$ 1,205,000
 APPROPRIATIONS	
Personnel Services	1,205,000
TOTAL APPROPRIATIONS	\$ 1,205,000
 Net Increase (Decrease) to Fund Balance	 \$ -

RETIREE HEALTH CARE BENEFITS FUND	
APPROPRIATIONS	
Personnel Services	150,000
TOTAL APPROPRIATIONS	\$ 150,000
 Net Increase (Decrease) to Fund Balance	 \$ (150,000)

I hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a regular meeting held on January 23, 2023

Cortney Hanson
City Clerk

GL #	Project/Item Description	Budget Category	Amount
General Fund			
Revenues			
101-000.00-403.000	Property Tax Revenue	Property Tax Revenue	\$ 100,000
101-000.00-478.000	Building Permits	Licenses, Permits, & charges for services	(132,620)
101-000.00-508.500	TIA grant	Federal Grants	15,400
101-000.00-573.000	State Grants - Local Comm Stab Share	State Sources	17,200
101-000.00-574.000	State Revenue Sharing	State Sources	258,550
101-000.00-665.000	Miscellaneous Income	Other Revenue	20,000
101-000.00-666.295	Winter Fest - Donations/Sponsorships	Donations	9,900
			\$ 288,430
Expenditures			
101-172.00-704.250	Final Pay out	Personnel Services	32,000
101-201.00-716.000	Insurance	Personnel Services	15,000
101-209.00-983.066	LDV016 LDV 140 - Assessing	Capital Outlay	\$ (26,340)
101-215.00-705.000	Temporary Salaries	personnel services	20,000
101-215.00-722.000	Election workers	Other services and charges	30,000
101-215.00-729.000	Election Supplies	Supplies	5,000
101-215.00-802.215	Data Processing - Elections	Other services and charges	3,030
101-265.10-983.071	LDV013 LDV w/Plow 641 - IS PM	Capital Outlay	18,520
101-265.10-983.090	SIP017 Vehicle (NEW) - IS PM	Capital Outlay	18,520
101-270.00-810.000	Other Legal Fees	Other services and charges	30,000
101-270.00-816.000	Professional services	Other services and charges	5,000
101-270.00-900.270	Recruitment ads	Other services and charges	3,000
101-295.00-704.000	Permanent Salaries	Personnel Services	14,000
101-295.00-705.000	Temporary Salaries	Personnel Services	6,000
101-295.00-716.000	Insurance	Personnel Services	28,500
101-295.00-880.650	Winter Fest	Other services and charges	9,900
101-296.00-716.000	Insurance	Personnel Services	16,000
101-301.00-706.352	Overtime - TIA Grant	Personnel Services	15,400
101-337.00-935.000	Vehicle Maintenance	Other services and charges	10,000
101-371.00-983.089	SIP005 Vehicle (NEW) - CD Building	Capital Outlay	(10,000)
101-442.10-816.021	Professional Services - Private Dvlpmnt Site Plan Review	Other services and charges	45,600
101-442.30-933.000	Equipment maintenance	Other services and charges	(490)
101-442.30-983.050	LDV011 LDV w/Plow 693 - DPW FO	Capital Outlay	18,520
101-442.30-983.055	LDV018 LDV 147 - DPW FO	Capital Outlay	(26,340)
101-442.30-983.067	LDV014 LDV w/plow 697 - DPW FO	Capital Outlay	18,520
101-442.30-983.072	LDV015 LDV w/ Plow 651- DPW FO	Capital Outlay	18,520
101-807.00-983.062	LDV017 LDV 143 - CD Building	Capital Outlay	(29,430)
			\$ 288,430

Net Increase (decrease) to fund balance \$ -

Ending Fund Balance	\$13,849,694
Fund Balance as a % of total annual expenditures	32%

Major Street Fund			
Revenues			
202-000.00-676.204	Transfer in from Municipal Street Fund	Transfers in	\$ 460,000
			\$ 460,000
Expenditures			
202-202.00-865.248	ENG079 Industrial Bus Parks Rd Rehab	Capital Outlay	\$ 460,000
			\$ 460,000

Net Increase (decrease) to fund balance \$ -

Ending Fund Balance	\$1,094,807
Fund Balance as a % of total annual expenditures	15%

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
Local Street Fund			
Revenues			
203-000.00-676.204	Transfer from Municipal Street Fund	Transfers in	\$ (460,000)
			\$ (460,000)
Expenditures			
203-203.00-865.248	ENG079 Industrial Bus Parks Rd Rehab	Capital Outlay	\$ (460,000)
			\$ (460,000)
Net Increase (decrease) to fund balance			\$ -
Ending Fund Balance		\$870,006	
Fund Balance as a % of total annual expenditures		11%	

Municipal Street Fund			
Revenues			
204-000.00-573.000	State Grants - Local Comm Stab Share	State Sources	\$ 11,600
			\$ 11,600
Expenditures			
204-000.00-965.202	Transfers to Major Street Fund	Transfers out	\$ 460,000
204-000.00-965.203	Transfers to Local Street Fund	Transfers out	(460,000)
204-204.00-866.085	Routine Maintenance-Sidewalks/Pathways	Maintenance	11,600
			\$ 11,600
Net Increase (decrease) to fund balance			\$ -
Ending Fund Balance		\$2,720,056	
Fund Balance as a % of total annual expenditures		30%	

Parks, Recreation, and Cultural Services Fund			
Revenues			
208-000.00-573.000	State Grants - Local Comm Stab Share	State Sources	\$ 2,980
208-000.00-653.555	OAS - Travel Program	Older Adult Program Revenue	50,000
208-000.00-653.509	Contracted Camp Programs	Program Revenue	60,520
208-000.00-653.642	Dance Programs	Program Revenue	45,000
208-000.00-653.999	Miscellaneous Program Revenue	Program Revenue	12,000
			\$ 170,500
Expenditures			
208-691.00-977.090	Cemetery Enhancement Project - dirt path improvements	capital outlay	\$ 11,510
208-691.00-983.045	LDV016 Transit Van 139 - PRCS OAS	capital outlay	43,990
208-693.00-923.000	Water & Sewer	other services and charges	15,000
208-695.00-960.555	OAS - Travel Program	Older Adult Program Expenditures	50,000
208-695.00-960.557	OAS - Transportation	Older Adult Program Expenditures	50,000
			\$ 170,500
Net Increase (decrease) to fund balance			\$ -
Ending Fund Balance		\$1,165,859	
Fund Balance as a % of total annual expenditures		35%	

Drain Fund			
Revenues			
210-000.00-403.001	Property Tax Revenue - County Chargeback	Property Tax Revenue	\$ 17,100
210-000.00-573.000	State Grants - Local Comm Stab Share	State Sources	4,900
210-000.00-676.211	Transfer from Drain Perpetual Maintenance Fund	Transfers in	483,580
			\$ 505,580
Net Increase (decrease) to fund balance			\$ 505,580

Drain Perpetual Maintenance Fund			
Expenditures			
211-000.00-965.210	Transfer to Drain Fund	Transfers out	\$ 483,580
			\$ 483,580
Net Increase (decrease) to fund balance			\$ (483,580)

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
Forfeiture Fund			
Revenues			
266-000.00-655.500	DEA federal forfeiture funds	Fines and forfeitures	\$ 56,090
266-000.00-665.501	Miscellaneous-federal forfeitures	Other revenue	22,440
			\$ 78,530
Expenditures			
266-266.00-983.000	Vehicles-federal forfeitures	Capital Outlay	\$ 78,530
			\$ 78,530
		Net Increase (decrease) to fund balance	\$ -
2008 Library Construction Debt Fund			
Revenues			
317-000.00-403.001	Property Tax Revenue - County Chargebacks	Property Tax Revenue	\$ 60,400
317-000.00-573.000	State Grants - Local Comm Stab Share	State Sources	10,600
			\$ 71,000
		Net Increase (decrease) to fund balance	\$ 71,000
PEG Cable Capital Fund			
Expenditures			
463-295.00-983.013	Architectural Design Services - Studio Renovation	Capital Outlay	\$ 20,000
			\$ 20,000
		Net Increase (decrease) to fund balance	\$ (20,000)
Water and Sewer Fund			
Revenues			
592-000.00-662.179	Interest on SAD 179 Vistas of Novi	Special Assessment Interest	\$ 23
592-000.00-662.181	Interest on SAD 181 Knightsbridge Gate	Special Assessment Interest	131
592-000.00-664.000	Interest on investments	Interest Income	(160,154)
592-000.00-666.003	Water tap connection fees	Capital Contributions	160,000
			\$ -
		Net Increase (decrease) to fund balance	\$ -
Self Insurance - Health Care Fund			
Revenues			
677-000.00-613.000	Insurance - charges for services	Licenses, Permits, & charges for services	\$ 205,000
677-000.00-676.677	Reimbursement - Stop Loss	Other Revenue	1,000,000
			\$ 1,205,000
Expenditures			
677-677.00-837.000	Health Insurance Claims	Personnel Services	\$ 1,205,000
			\$ 1,205,000
		Net Increase (decrease) to fund balance	\$ -
Retiree Health Care Benefits Fund			
Expenditures			
710-000.00-716.000	Insurance	Personnel Services	\$ 150,000
			\$ 150,000
		Net Increase (decrease) to fund balance	\$ (150,000)