

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI
WEDNESDAY, APRIL 6, 2016 AT 6:00 P.M.
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 TEN MILE ROAD**

Mayor Gatt called the meeting to order at 6:00 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Mayor Gatt, Mayor Pro Tem Staudt, Council Members Burke, Casey, Markham (absent, excused), Mutch, Wrobel

ALSO PRESENT: Peter Auger, City Manager
Victor Cardenas, Assistant City Manager
Carl Johnson, Finance Director
Thomas Schultz, City Attorney

APPROVAL OF AGENDA:

CM 16-04-044 Moved by Wrobel, seconded by Burke; UNANIMOUSLY CARRIED:

To approve the Agenda as presented.

Roll call vote on CM 16-04-044 **Yeas: Staudt, Burke, Casey, Mutch, Wrobel, Gatt**
Nays: None
Absent: Markham

PURPOSE OF SPECIAL MEETING – 2016-2017 CITY OF NOVI BUDGET:

1. Overview

a. Introduction: Goals – Projects

Carl Johnson, Finance Director, explained they have refined the process that was started in October – November, 2015. He thanked Jessica Dorey, Senior Budget Analyst, along with department heads and staff for collaboration of putting the budget document together. He noted the goal of a 3 year budget document is to make the numbers realistic. Their goal became passing last year's second year budget with some changes because they determined the estimated budget was fairly realistic.

b. 2016-2017 Budget Overview – Highlights

Finance Director Johnson highlighted the significant changes for the 2016-17 fiscal year. He explained on the General Fund side, the revenues are the most important. The largest revenue is from property taxes. Michigan's inflation rate factor for 2016 was .3% which significantly limited the increase in the amount of property taxes. He noted it was the second lowest inflation rate factor in the last 20 years. It was significantly lower, which means, there was an increase in the General Fund of \$225,000 if the inflation rate was what it was last year. There was an increase in property taxes of 2.4% with new

development. Another source of revenue is Revenue Sharing from State of Michigan which was about 2% or \$85,000 this year. There wasn't much of an increase in revenues that make it difficult to balance the operations, as well as, fund the significant capital needs of the City.

c. Multi-Year Budget

From the Council goal setting session in January, the budget incorporated the addition of 2 full time police officers and a full time fire protection officer. Another goal of Council was DPS improvements to their facility. Included in this year's budget is the design phase. One of the long term goals of the Council is to fully staff Fire Station #3 and will be addressed this year. There will be full time staffing at the Station beginning July 1.

d. Capital Improvement Program

The General Fund includes \$1.9 million of capital. It includes the replacement of a fire pumper and Department of Public Services truck replacements. To fund some of the Public Safety items, the budget used up the balance of the Police and Fire dedicated Special Revenue Fund. There is a new position included in the General Fund for a Personal Property Tax Auditor. Oakland County used to do it contractually for the City, but they are getting out of the business and that is why Novi is funding this new position internally. The General Fund pays for the capital of the Parks and Recreation Fund. The capital outlay for Parks and Recreation is about \$748,000 this year. The General Fund as budgeted is balanced and it is not necessary to use Fund Balance from the 2016-2017 fiscal year. The projected Fund Balance for 2016-2017 is \$11.2 million. Additional Council goals were to make improvements to Lakeshore Park. The improvements that are included in the budget are \$100,000 to create a design for the new Lakeshore Park facility and reconfiguration of the park. The cost will be approximately \$2 million and funding will have to be determined at a later date. \$100,000 for modernization of the senior transportation program was included that will be implemented July 1. The rest of the funding for the Pavilion Shore Park of about \$250,000 is included so they will be able to break ground July 1. The State increased funding to all cities within the State of Michigan. Novi's increase in the funding will increase each year for the next six years. Next year Novi will get \$860,000 more than we received this year. The following year will be another \$400,000 to \$1.1 million dollars and the year after that will be \$1.4. There will be a ½ million annual increase that will go into our Act 51 or Major and Local Street Funds each year. The 2015-2016 budgeted \$18.9 million is for expenditures on roads and pathways/sidewalks. For the 2016-2017 budget, there is \$12.3 million worth of expenditures in those funds. Also, there is funding to accelerate Beck Road widening and completing the 8 Mile pathway. Neighborhood Road funding increased to \$2.5 million and another \$400,000 for the following year. The debt of 2002 street bonds will be paid off a year early. The result is a .3 mills reduction. The Drug Forfeiture Funds have diminished, so the General Fund will be paying for the police cars. Also, the Federal government stopped forwarding of drug forfeiture funds over the past few months. The Water and Sewer Fund invested in the water storage facility that resulted

in an annual savings of over \$3 million in the cost of water has been realized. Significant dollars are invested in the Water and Sewer Fund. They hope to keep the water rates steady. All fund balances are at or above the minimum.

2. City Council discussion and decisions regarding the plan priorities

Mayor Pro Tem Staudt said the budget presented for this year will be easy to approve. He said he was looking forward to the next several years because our finances look good. He noted that they talked a potential Capital Improvement millage at goal setting. He would like some direction from staff for the proposal of 10 years, 1 mill Capital Improvement millage. He preferred millages rather than debt because 100% of revenue generated goes towards projects and not for interest or bond issue expense. He asked for support to put the millage on the August, 2016 election. The revenues generated would go to real estate buildings or equipment. In the future, fire station #1 will need to be relocated. Parks, Department of Public Services, and Public Safety upgrades are needed for our Community. He would support this year's budget and a 1 mill increase for 10 years.

Wayne Wrobel complimented City Manager Auger and staff for preparing a budget with most of their short term goals. He was pleased with the budget, but he wished the fund balance was increased and understood it was difficult to do. He realizes we need to spend funds on roads here in the City of Novi. He is supportive of the budget and a 1 mill increase to support those projects previously mentioned by Mayor Pro Tem Staudt.

Member Mutch commented that Novi should levy the millage and use it entirely for the needs rather than wants. He thought requesting a 10 year millage makes sense. He would hope to see a list of specific projects put together before we send this to the voters. Mayor Pro Tem Staudt touched on a number of important projects that are needed. We have to continue to invest in the City just as we do into our homes to maintain values. He felt a Capital Improvement millage would allow us to do that. In the future, there will be challenges with the fund balances. He supports the request and looks forward to seeing some details on that. He mentioned a concern was looking at the long term finances. He noted they right-sized the City of Novi as an organization during the economic downturn. The City has employee counts that are down since the recession but we've continued to provide at least as good service as before. He said the employees have stepped up and have made the effort to fill the gaps. The City has used technology mainly in the Police Department with Data Driven statistics. They have accomplished a lot by reducing crime, reducing accidents and increasing with public safety with the staff they have. It has been significant. The budget will be adding positions in the Public Safety Departments. The concern he had looking down the road was with personnel salaries. They will need to be funded. He wanted the Council to review the costs that will grow significantly. He thought it was seen in the Fund Balance numbers in the next couple years. More Fund Balance will have to be utilized to address the staffing and cost needs. He was surprised there was a statement in the budget, when the multiyear budget was approved last year, there were some out year staffing assumptions that then became reality in this budget and

separate from the Council goals setting directives. He didn't think there would be two officers. He will only be looking at staffing changes this year and thinks they shouldn't assume that adding employees year after year would be financially sustainable. He wanted to only see justification for some of these positions in the out years and make the case for adding them. It should have been discussed at goal setting. Also, the budget does a good job of continued investment in neighborhood roads and innovations in dealing with stormwater issues. He thought they need to do more in older subs with concrete streets that have significant deterioration. He feels they need to be addressed. The payoff would be bringing up property values for added revenues. He had concerns with the tree fund. Developers pay to the tree fund when they cut down regulated woodlands and the money is spent on replanting trees in the City. He noted for every 10 trees cut down, less than 4 are replanted. He said the revenue projected for this year is \$400,000; only \$150,000 will be spent replanting trees and the rest of the money being spent on staff salaries and maintenance activities. He feels it does a disservice to the residents, to the Community and it is not in keeping with the spirit for which the fund was put in place. We have significant fund balance and hoped we would be proactive with the fund. He said long term, the revenues will diminish, but the costs will still be there. Where will the funding come to pay for those activities. We either need to be charging more for the trees that are removed with a greater maintenance or we need to find another way to fund these. He suggested we expand the scope of our Drain Revenue millage to make it more of a millage to protect all natural resources in the City of Novi, particularly, woodlands long-term, open space and park land acquisition. It is an existing millage that is not fully utilized and it would be keeping with the intent of the millage when voters adopted it over 30 years ago. Something has to be done because the revenues will not last forever, but there will be a need to protect the trees and to take care of our natural resources.

Member Casey thanked Administration and staff for all the work done to make the budget easy to understand. She also appreciated the Capital Improvement Projects online. She felt it was an improvement of how they operated in the past. The budget is aligned to the goals set back in January. She echoed concerns of past speaker related to staffing changes. In past budgets, they were very cautious at the number of new staff added. Some positions are required and are a great solution to get work done that needs to be done. She explained they need to make sure, as they are adding head count, how it will affect us from a long term perspective. They spoke about the unfunded liabilities, more staff adds more costs to the operating budget. She appreciated the leadership of colleagues speaking of bringing a millage to the voters and she would support that.

Member Burke thanked City Manager and staff for the budget document. We are spending within our means. He would support a Capital Improvement Projects millage. His questions had been answered.

Mayor Gatt mentioned this is the 13th budget for him. The 2016-17 budget is in pretty good shape and he noted we live in a very vibrant and safe community. In January every year, there is a goal setting session. One of the items decided on was adding

police and fire to this and next year's budget. That was discussed and even though it wasn't unanimous, majority rules. Novi is not immune from any catastrophe. There have been horrific fires in the past six months. He said the City is great but we must maintain the public safety levels to serve the Community. We have to be sure the people who live here, work here have recreation her are safe and to do that, we must maintain the staffing levels for public safety. It is City Administration's duty to make the budget work with the additional staff. He noted new buildings are what bring in tax dollars and that's where the revenue comes in. There are a lot of projects coming in over the next few years. He thanked the Administration, but he realizes the City staff does the hard work on the budget and the Administration oversees it. Novi is a premier place to live and work. He thanked everyone for their hard work.

Mayor Pro Tem Staudt directed City Administration to draft the necessary documents and to do the necessary due diligence to put a 1 mill, 10 year millage for Capital Improvements on the ballot August, 2016.

CM 16-04-045 Moved by Staudt, seconded by Casey; UNANIMOUSLY CARRIED:

To approve to direct City Administration to draft the necessary documents and to do the necessary due diligence to put a 1 mill, 10 year millage for Capital Improvements on the ballot August, 2016.

City Clerk Cornelius explained the deadline to have the ballot wording to the County Clerk is May 10, 2016.

Roll call vote on CM 16-04-045

**Yeas: Burke, Casey, Mutch, Wrobel, Gatt,
Staudt**

Nays: None

Absent: Markham

Mayor Pro Tem Staudt explained the Police and Fire millage represents only a very small of the overall expenditures for public safety in Novi. He noted they get about \$5 million from the millage, but the overall bill is \$17 million. He explained the difference is paid by the general fund. It is a huge reason why there is very little left over for anything other than operations and personnel. He also commented on Beck Road. Right now there is some short term improvements being considered, but they are looking to do some long term fixes. He then announced that Glenn Lemmon, City Assessor will be retiring next week and recognized him for his many years of service.

Mayor Gatt lauded Mr. Lemmon and spoke about his dedication and representation of the City of Novi in a professional manner. He said he will be hard to replace and he wished him good luck. Mr. Lemmon said the reason he has stayed here for twenty-two years was because Novi is the greatest city in the State, if not the country. Mr. Lemmon stated that he wished to leave the City better than he found it.

Mayor Pro Tem Staudt then spoke about a bond offering in the future. They will have to address the Beck Road widening. They are going through the process of selecting an architect to look at the different projects and provide estimates for moving forward.

CM 16-04-046 Moved by Staudt, seconded by Wrobel; UNANIMOUSLY CARRIED:

To approve the 2016-2017 Budget with a Public Hearing set for April 18, 2016.

Member Mutch echoed Mayor Pro Tem Staudt about the cost significance of widening Beck Road. He wished for residents to be aware of it. He wanted to clarify a comment he made. One of the things that help property values is the sales of homes in the established neighborhoods. The vast majority of homes are not the new homes and the condition of the roads doesn't help future homeowners who want to select a home. The concrete streets in many of the subdivisions will be a challenge. Also, Council should provide direction to Administration for investment in areas of the City without water and sewer service. It is cost prohibitive to neighborhoods that want service, but because we've allowed developers to service their development, did not plan for the surrounding areas. He would like to find an equitable way to help the residents to bring water and sewer service to their area. It would benefit the City long term. He supported the motion to approve the budget.

Mayor Gatt thanked all the colleagues for the preparation of the budget and the hard work that was done in advance. He commented that Beck Road widening might be one of the biggest problems facing the community. We've spoken with others on the possibility of getting some cooperation from other governments to assist us in resolving the problem.

Roll call vote on CM 16-04-046

**Yeas: Casey, Mutch, Wrobel, Gatt, Staudt,
Burke**

Nays: None

Absent: Markham

AUDIENCE COMMENT – None

ADJOURNMENT – There being no further business to come before Council, the meeting was adjourned at 7:04 P.M.

Maryanne Cornelius, City Clerk

Robert J. Gatt, Mayor

Transcribed by Jane Keller

Date approved April 18, 2016