



**CITY OF NOVI CITY COUNCIL
JANUARY 6, 2025**

SUBJECT: Approval of the deficit elimination plans for the Capital Improvement Fund (CIP) and the Drain Operating Fund as of June 30, 2024.

SUBMITTING DEPARTMENT: Finance

KEY HIGHLIGHTS:

- This came before Council at their last meeting. However, City staff was informed by the State that a resolution is required.
- Capital Improvement Fund June 30, 2024 ending fund deficit \$9,051,104
- Drain Operating Fund June 30, 2024 ending unassigned fund deficit \$11,752

BACKGROUND INFORMATION:

The State of Michigan ("State") requires a formal deficit elimination plan ("DEP") be approved annually by the governing body for any funds reflecting a deficit in an annual audit. The proposed DEP is the annual update of the original plan filed for the June 30, 2019 fiscal year as the State requires it be updated for actual results and reapproved. The 2019 DEP acknowledged that the City would borrow internally to advance fund several significant projects and repay the borrowing plus interest from the voter approved millage over the ten-year duration of the millage. The Capital Improvement Fund for the year ended June 30, 2024, ended with a fund balance deficit of \$9,051,104 or an increase of \$5,356,036 from the June 30, 2023 deficit of \$3,695,068. The increase in the current year is primarily a result of the purchase of two parcels of vacant land for city use and potential park land totaling approximately \$7.6 million. The City anticipates collecting more than \$14.675 million in property tax and other revenues over the remaining three years of the levy to eliminate the deficit, pay interest owed on interfund borrowing and still has an estimated \$2.2 million available for future projects through June 30, 2027.

The Drain Operating Fund has an ending June 30, 2024 fund balance of \$0, however; accounting rules require prepaids be classified as nonspendable fund balance. The reclassification of \$11,752 prepaids into nonspendable fund balance caused a \$11,752 unassigned fund balance deficit.

Nonspendable for prepaids	\$11,752
Unassigned fund balance deficit	<u>(\$11,752)</u>
Total fund balance	\$0

The State of Michigan requires a DEP for any unassigned fund balance deficits. The City's Drain Perpetual Maintenance Fund supplements the Drain Operating Fund to the extent expenditures exceed the revenues in any given year. The Drain Perpetual Maintenance Fund has \$7,044,847 of available funds to supplement the Drain Operating Fund and will transfer the \$11,752 to eliminate the unassigned deficit.

RECOMMENDED ACTION: Approval of the deficit elimination plans for the Capital Improvement Fund (CIP) and the Drain Operating Fund as of June 30, 2024.

CITY OF NOVI
COUNTY OF OAKLAND, MICHIGAN

RESOLUTION APPROVAL OF THE DEFICIT ELIMINATION PLAN FOR THE CAPITAL IMPROVEMENT FUND (CIP) AND DRAIN OPERATING FUND AS OF JUNE 30, 2024

Minutes of a Meeting of the City Council of the City of Novi, County of Oakland, Michigan, held in the City Hall of said City on January 6, 2025 at 7 o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers _____

ABSENT: Councilmembers _____

The following preamble and Resolution were offered by Councilmember _____ and supported by Councilmember _____.

WHEREAS; The City of Novi's Capital Improvement Fund (CIP) has a \$9,051,104 deficit fund balance on June 30, 2024; and

WHEREAS; The City of Novi's Drain Operating Fund has a \$11,752 unassigned deficit fund balance on June 30, 2024; and

WHEREAS 1971 PA 140 requires that a Deficit Elimination Plan be formulated by the local unit of government and filed with the Michigan Department of Treasury; and

WHEREAS The City filed a CIP Fund multiyear Deficit Elimination Plan for the June 30, 2019 fiscal year and the State of Michigan requires that plan be updated annually and reapproved; and

NOW THEREFORE, IT IS THEREFORE RESOLVED that the City of Novi's legislative body adopts the following as the City of Novi Deficit Elimination Plan for the CIP Fund and Drain Operating Fund:

BE IT FURTHER RESOLVED that the City of Novi's Finance Director submits the Deficit Elimination Plans to the Michigan Department of Treasury for certification.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

Cortney Hanson, City Clerk

CERTIFICATION

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, County of Oakland, and State of Michigan, at a regular meeting held this 6th day of January, 2025, and that public notice of said meeting was given pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, and that the minutes of said meeting have been kept and made available to the public as required by said Act.

Cortney Hanson, City Clerk
City of Novi

City of Novi
CIP Fund DEP Updated as of June 30, 2024

	Actual 6/30/2016	Actual 6/30/2017	Actual 6/30/2018	Actual 6/30/2019	Actual 6/30/2020	Actual 6/30/2021	Actual 6/30/2022	Actual 6/30/2023	Actual 6/30/2024	Estimated 6/30/2025	Estimated 6/30/2026	Estimated 6/30/2027	Total
Revenues													
Property Tax Revenue (voted 1 mill, 10 year levy)	-	-	3,400,854	3,543,185	3,676,064	3,818,955	3,985,024	4,145,915	4,377,501	4,613,359	4,771,424	4,878,544	41,210,825
Transfer from General Fund	2,100,000	1,000,000	-	-	-	-	-	-	-	-	-	-	3,100,000
Transfer from Drain Fund (DPS Bldg.)	-	-	-	600,930	85,402	-	-	-	-	-	-	-	686,332
Transfer from (to) Water and Sewer Fund (DPS Bldg.)	-	240,000	-	2,421,260	(2,661,260)	-	-	-	-	-	-	-	-
Transfer from Gun Range Fund	-	-	-	245,915	-	-	-	-	-	-	-	-	245,915
Sale Anglin/Grand River Legacy Property	-	-	-	-	-	-	3,004,450	-	-	-	-	-	3,004,450
State and other grants (splash pad)	-	-	-	-	-	-	-	200,000	-	-	-	-	200,000
Other (donations)	-	-	-	-	-	-	26,069	-	-	400,000	-	-	426,069
Interest	-	(16,793)	17,507	57,536	2	63	207	35,464	46,061	3,641	1,626	7,320	152,634
Total revenue	2,100,000	1,223,207	3,418,361	6,868,826	1,100,208	3,819,018	7,015,750	4,181,379	4,623,562	5,017,000	4,773,050	4,885,864	49,026,225
Expenditures													
Anglin/Grand River Legacy Property Purchase	-	2,836,431	5,129	-	-	-	-	-	-	-	-	-	2,841,560
Lakeshore Park Facility and Reconfiguration	-	200,553	135,320	338,627	2,107,708	1,875,367	23,263	-	-	-	-	-	4,680,838
DPS Expansion/Improvement	-	270,660	306,203	8,063,002	-	1,973	-	-	-	-	-	-	8,641,838
Gun Range Improvements	-	-	4,952	1,203,419	105,116	-	-	-	-	-	-	-	1,313,487
Fire Station #1	-	11,340	13,230	-	-	-	-	-	-	-	-	-	24,570
Greenway Development Phase 1B (ITC Trail)	-	-	158,550	1,717,001	1,099,394	63,049	5,323	-	-	-	-	-	3,043,317
Villa Barr Property Improvements	-	-	25,135	232,488	-	-	-	-	-	-	-	-	257,623
Ella Mae Power Park Spectator Bleacher Upgrade	-	-	87,274	-	-	-	-	-	-	-	-	-	87,274
Pavilion Shore Parking Lot Addition	-	1,730	205,204	-	-	-	-	-	-	-	-	-	206,934
Boardwalk extensions/repair	-	-	3,000	804,746	55,194	6,508	-	-	-	-	-	-	869,448
Sidewalk Segments	-	-	-	-	40,570	662,103	252,605	11,617	-	-	-	-	966,895
Admin expenditures	-	-	1,000	1,748	810	814	860	800	815	1,000	1,050	1,100	9,997
Bosco Property Improvements	-	-	24,943	1,044,203	1,020,039	6,543	-	-	-	-	-	-	2,095,728
Bosco Property Purchase	-	-	-	759,783	-	-	-	2,101,759	-	-	-	-	2,861,542
Trans X Property Purchase	-	-	328,949	12,585	-	-	-	-	-	-	-	-	341,534
Lakeshore Park Shoreline	-	-	-	13,662	203,734	9,553	-	-	-	-	-	-	226,949
Lakeshore Pedestrian Tunnel	-	-	-	-	-	-	-	424,977	14,023	-	-	-	439,000
Pavilion Shore Park Shoreline	-	-	-	19,355	126,091	495	-	-	-	-	-	-	145,941
Wildlife Woods Park Sidewalk	-	-	-	-	-	25,269	141,699	11,057	-	-	-	-	178,025
Internal Loan Repayment - Interest (3%)	-	-	-	7,250	232,031	277,530	156,824	96,651	153,512	206,000	92,000	4,000	1,225,798
Ladder Truck Replacement	-	-	-	1,474,687	-	-	-	-	-	-	-	-	1,474,687
Water Tower Improvements	-	-	-	-	212,523	62,279	87,060	5,062	-	-	-	-	366,924
Jamco Property Purchase	-	-	-	-	321,408	-	-	-	-	-	-	-	321,408
Splash Pad	-	-	-	-	-	-	-	324,472	2,176,429	74,969	-	-	2,575,870
ITC Sports Park Improvements	-	-	-	-	-	-	-	46,225	7,297	-	-	-	53,522
Fire Engine #342 Replacement	-	-	-	-	-	-	870,828	16,415	-	-	-	-	887,243
Fire Engine #313 Replacement	-	-	-	-	-	-	-	16,060	-	990,423	-	-	1,006,483
Fire Engine #322 Replacement	-	-	-	-	-	-	-	-	16,232	1,324,169	-	-	1,340,401
Land Acquisitions	-	-	-	-	-	-	-	-	7,608,073	-	-	-	7,608,073
Field of Honors	-	-	-	-	-	-	-	-	-	-	-	-	-
Wildlife Woods Pickleball Courts and Parking Lot Expansio	-	-	-	-	-	-	-	-	3,217	653,067	-	-	656,284
Total expenditures	-	3,320,714	1,298,889	15,692,556	5,524,618	2,991,483	1,538,462	3,055,095	9,979,598	3,249,628	93,050	5,100	46,749,193
Revenues over (under) expenditures	2,100,000	(2,097,507)	2,119,472	(8,823,730)	(4,424,410)	827,535	5,477,288	1,126,284	(5,356,036)	1,767,372	4,680,000	4,880,764	2,277,032
Estimated Beginning Fund Balance	-	2,100,000	2,493	2,121,965	(6,701,765)	(11,126,175)	(10,298,640)	(4,821,352)	(3,695,068)	(9,051,104)	(7,283,732)	(2,603,732)	-
Estimated Ending Fund Balance	2,100,000	2,493	2,121,965	(6,701,765)	(11,126,175)	(10,298,640)	(4,821,352)	(3,695,068)	(9,051,104)	(7,283,732)	(2,603,732)	2,277,032	2,277,032

Projects using interfund borrowing (net other funds reimbursement)

City of Novi
 Drain Operating Fund DEP as of June 30,
 2024

	Actual <u>6/30/2024</u>	Amended Budget <u>6/30/2025</u>
Revenues		
Property Tax Revenue	2,813,024	2,969,236
State and other grants	14,873	13,000
Investment income	76,961	25,028
Other	9,933	10,000
Transfer in from Drain Perpetual Care Fund	<u>320,947</u>	<u>4,775,947</u>
Total revenue	3,235,738	7,793,211
Expenditures		
Public Works - personnel services, other services and charges	1,386,799	1,854,531
Capital outlay	<u>2,378,118</u>	<u>5,938,680</u>
Total expenditures	<u>3,764,917</u>	<u>7,793,211</u>
Revenues over (under) expenditures	(529,179)	-
Estimated Beginning Fund Balance	<u>529,179</u>	<u>-</u>
Estimated Ending Fund Balance	-	-