

# 2027 Budget Overview

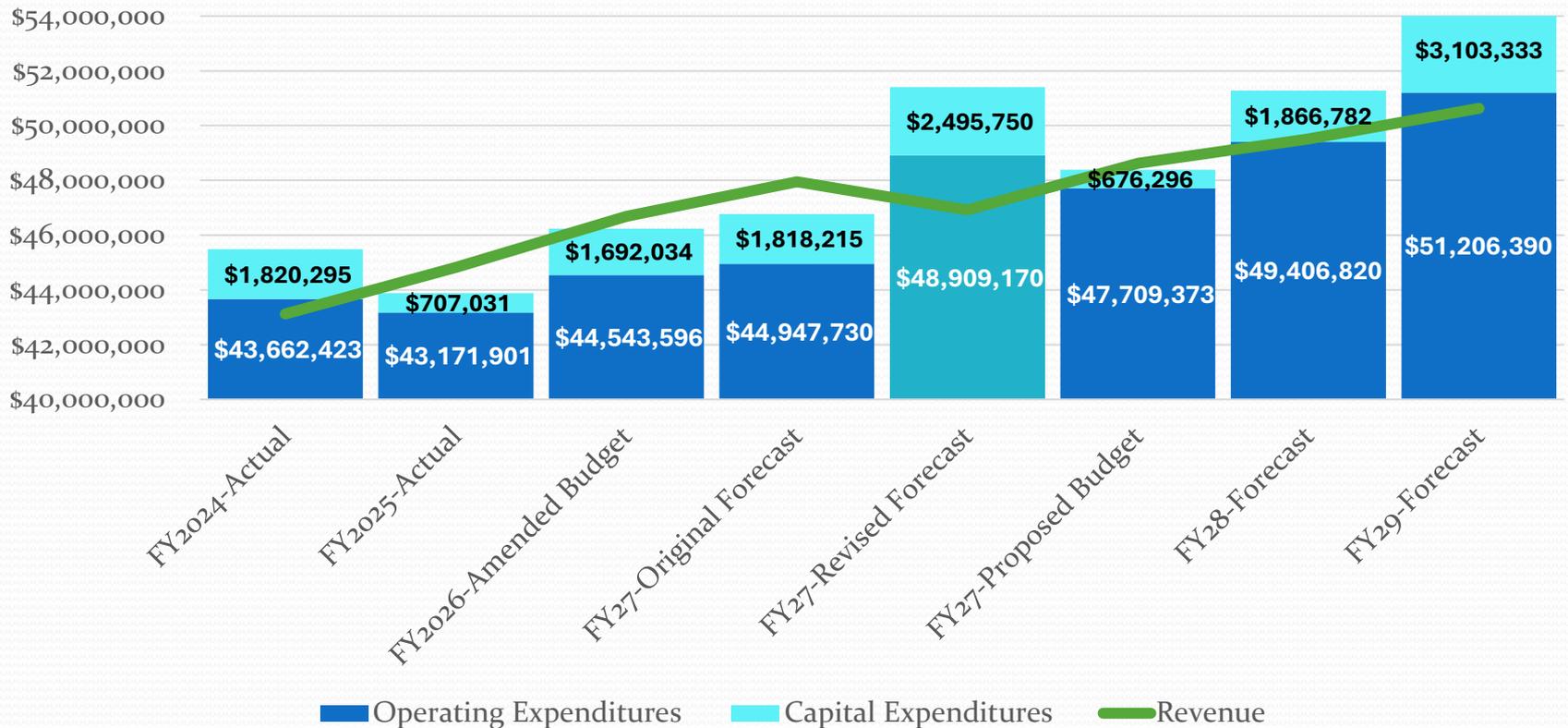
March 9, 2026

# Today's Agenda

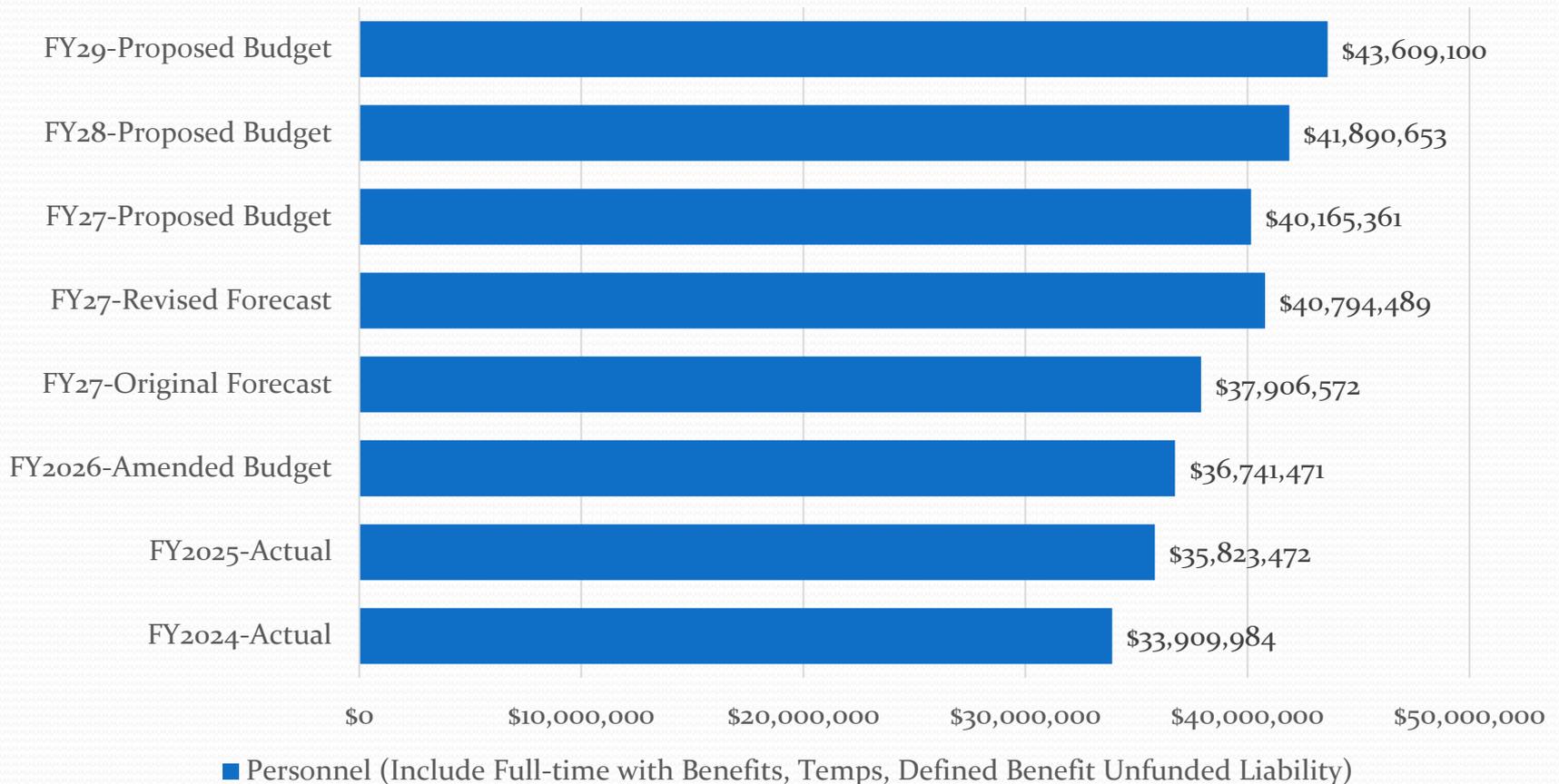
- Budget Assumptions and Economic Impact
  - How did we get here?
  - General Fund Revenues and Expenditures
- Budget process
  - Budget Impacts
- Fund Balance of General Fund
- Questions?

# General Fund Trends

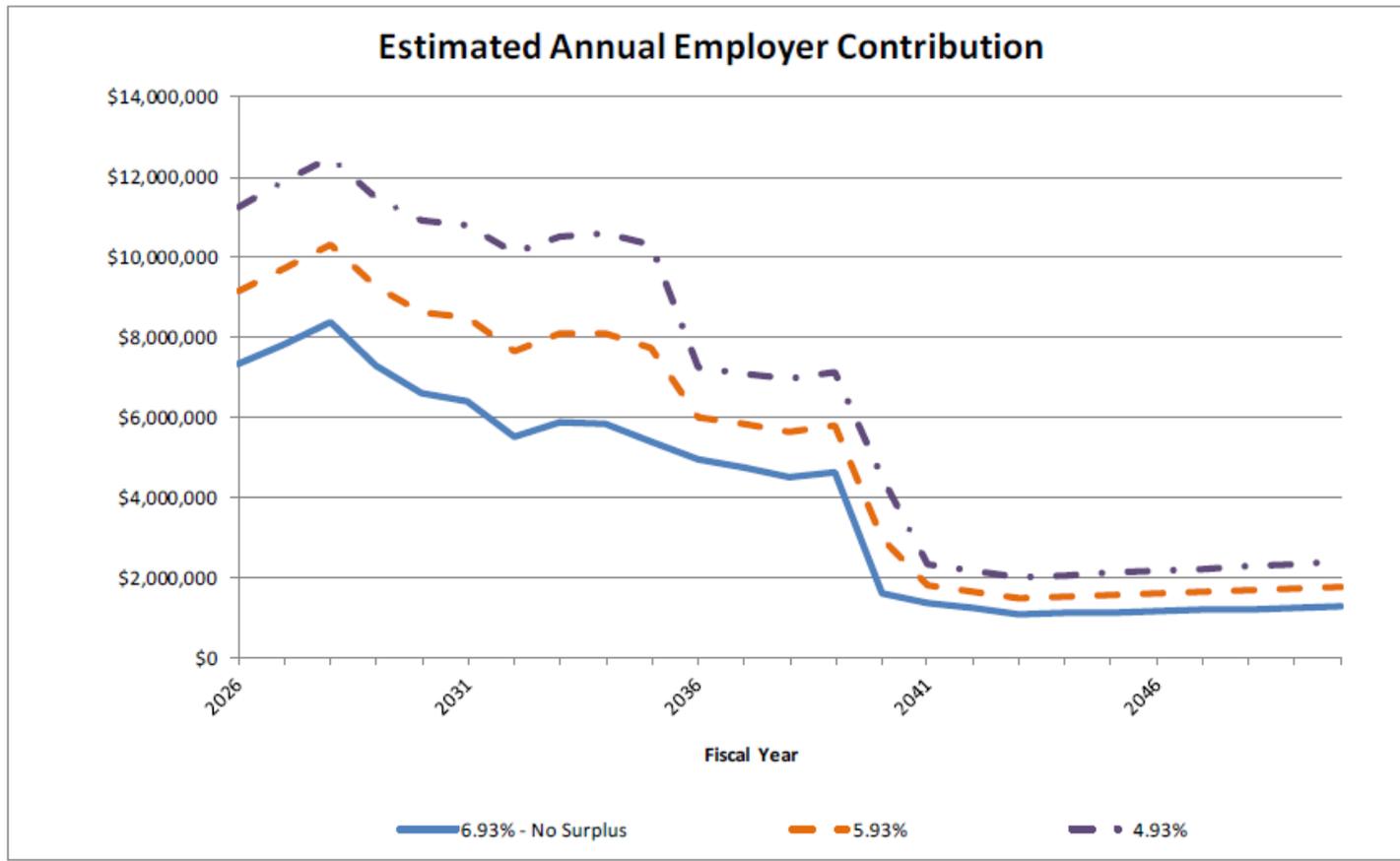
## Revenue and Expenditure Trends in the General Fund



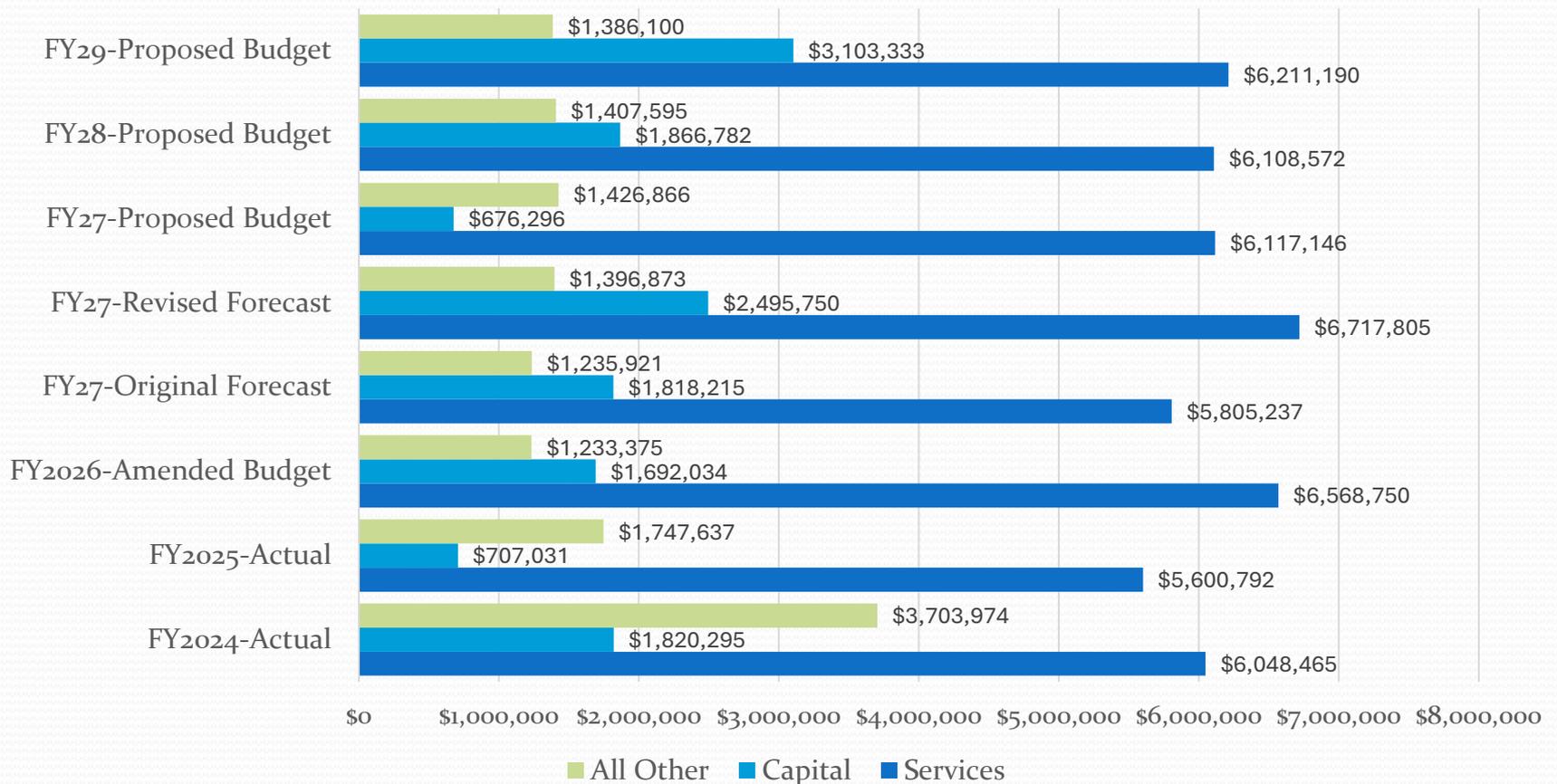
# General Fund Expenditures by Type-Personnel



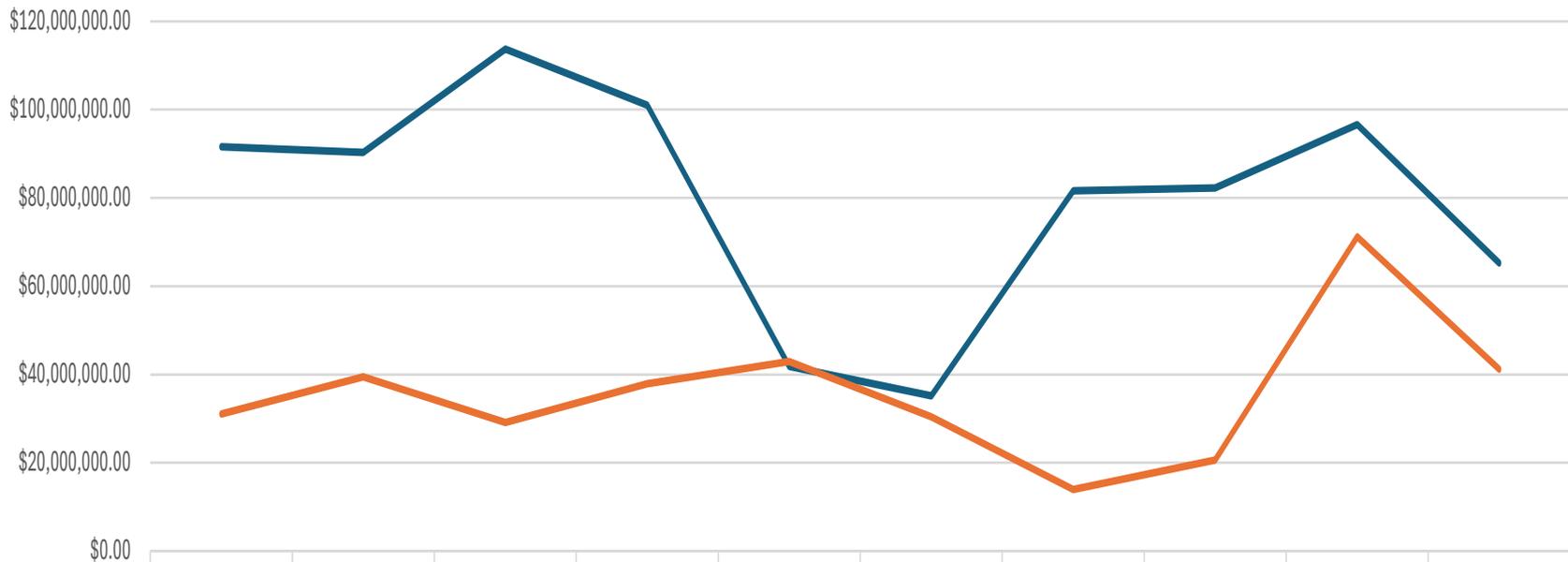
# Unfunded Pension Liability



# General Fund Expenditures by Type-Services, Capital, All Other



# New Construction Values



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Commercial Building Permits	\$91,552,573.00	\$90,296,432.00	\$113,734,193.00	\$101,034,599.00	\$41,843,436.00	\$35,181,665.00	\$81,617,892.00	\$82,277,787.00	\$96,570,242.00	\$65,287,417.00
Residential/Multifamily Building Permits	\$31,092,827.00	\$39,452,293.00	\$29,135,510.00	\$37,944,839.00	\$42,905,513.00	\$30,430,270.00	\$13,994,863.00	\$20,588,132.00	\$71,225,124.00	\$41,230,959.00

# Budget Assumptions and Economic Impacts

- Revenue growth is slowing
- Expenditure growth is outpacing revenue growth
  - Types of inflation-
    - State Tax Commission sets CPI rate for taxes-16% since FY23 (includes an unprecedented 5% cap for 2023 and 2024)
    - Property and liability insurance-16% increase since FY23
    - Personnel (Wages, Health Insurance, Pension)-25% increase since FY23
    - Vehicle costs-25%+ increase since FY23

# Budget Process for FY27

## Initial Forecast

- Original Deficit of \$5.6 Million Identified
- Shortfall was ~10% of the budget

## Budget Kickoff

- Departments were asked to come up with ideas valued at 10% of their expenditure budget, either in cuts or new revenue.
- Budget Impact Sheets were introduced and prepared by departments.

## Final Review

- City Manager reviewed all budget impacts and decided how best to balance the budget.
- Deferred many non-recurring costs, added new revenue sources, cut expenditures

# Review of the budget process- General Fund Revenue changes

- Finance prepared a revenue forecast that projected a \$1 million reduction from last year's FY27 estimate
  - Largest impact is state-shared revenue-\$832K
- New Revenues of \$1.7M were added to the proposed FY27 budget including:
  - \$378K in Tax Revenue-Increases are still above CPI but growth is slowing due to less new construction
  - \$490K for Recycling Cost Recovery
  - \$266K in new Fire Inspection Fees
  - \$144K in increased Building Fees
  - \$360K one-time use of Self-Insurance Fund Balance to help absorb health care increases

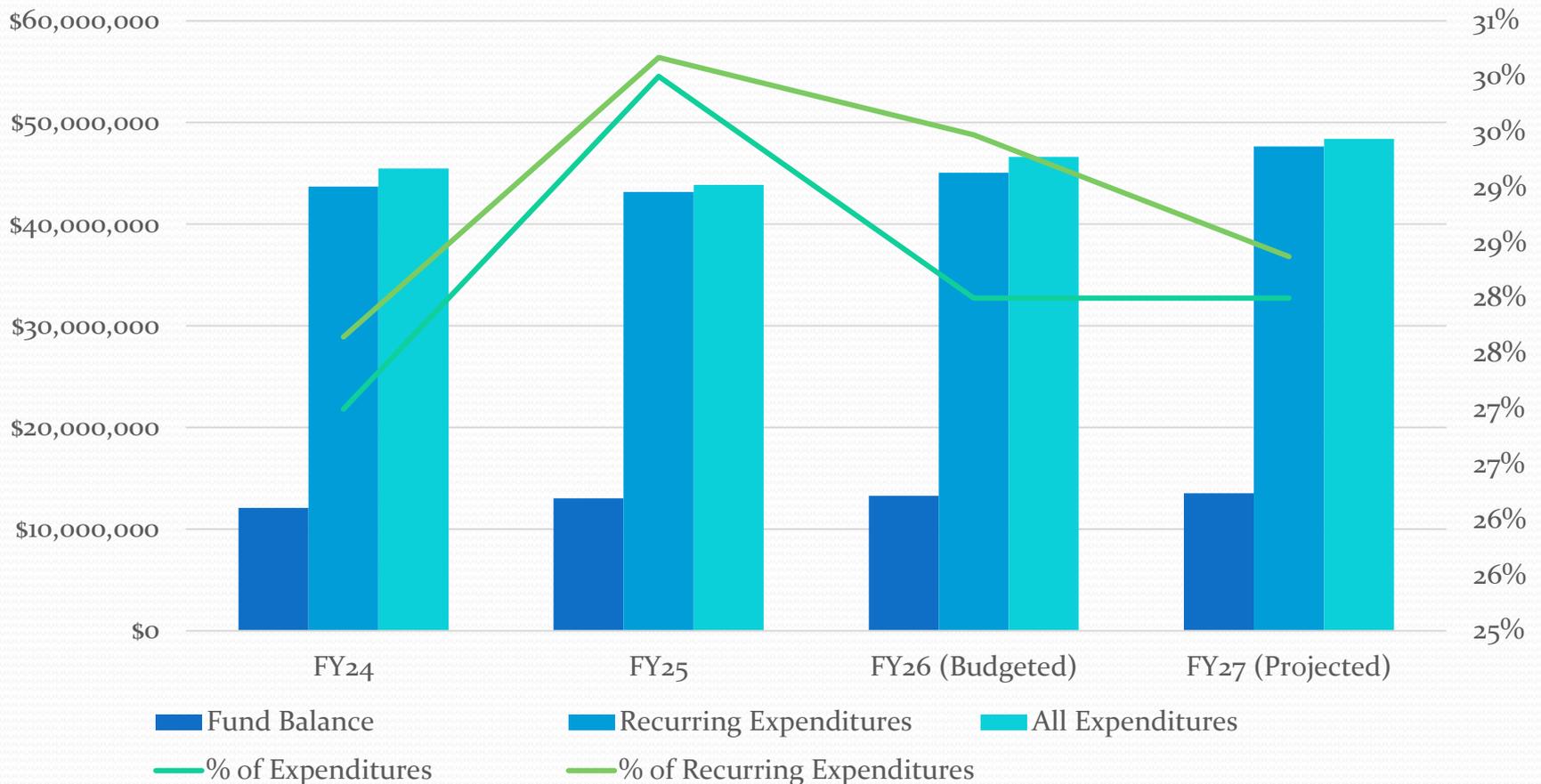
# Review of the budget process- General Fund Expenditure Changes

- Departments prepared **changes** to the FY27 original budget forecast shared with Council-\$4.6 million increase
  - Largest impact was Personnel Costs-\$2.9 million
    - \$889K-Fully Budgeted for all FTEs
    - \$383K for Pension Increases (DB and DC)
    - \$463K for Fire Part-time and Auxiliary
    - \$255K for Overtime, Holiday Pay and DPW Temp Staff
    - \$423K for Health Insurance Increases
    - \$64K for Police Contract Settling for 1% more than planned
    - \$423K for All Other
  - Services was the second largest impact-\$964K
    - \$340K-Vehicle Maintenance and gas (\$200K is Fire, \$56K is Police, \$75K is DPW)
    - \$263K-Recycling costs
    - \$361K-All Other
  - Capital was the third largest impact-\$678K
    - \$476K-Police vehicles moved to the General Fund due to depletion of forfeiture revenue
    - \$200K-Election Equipment

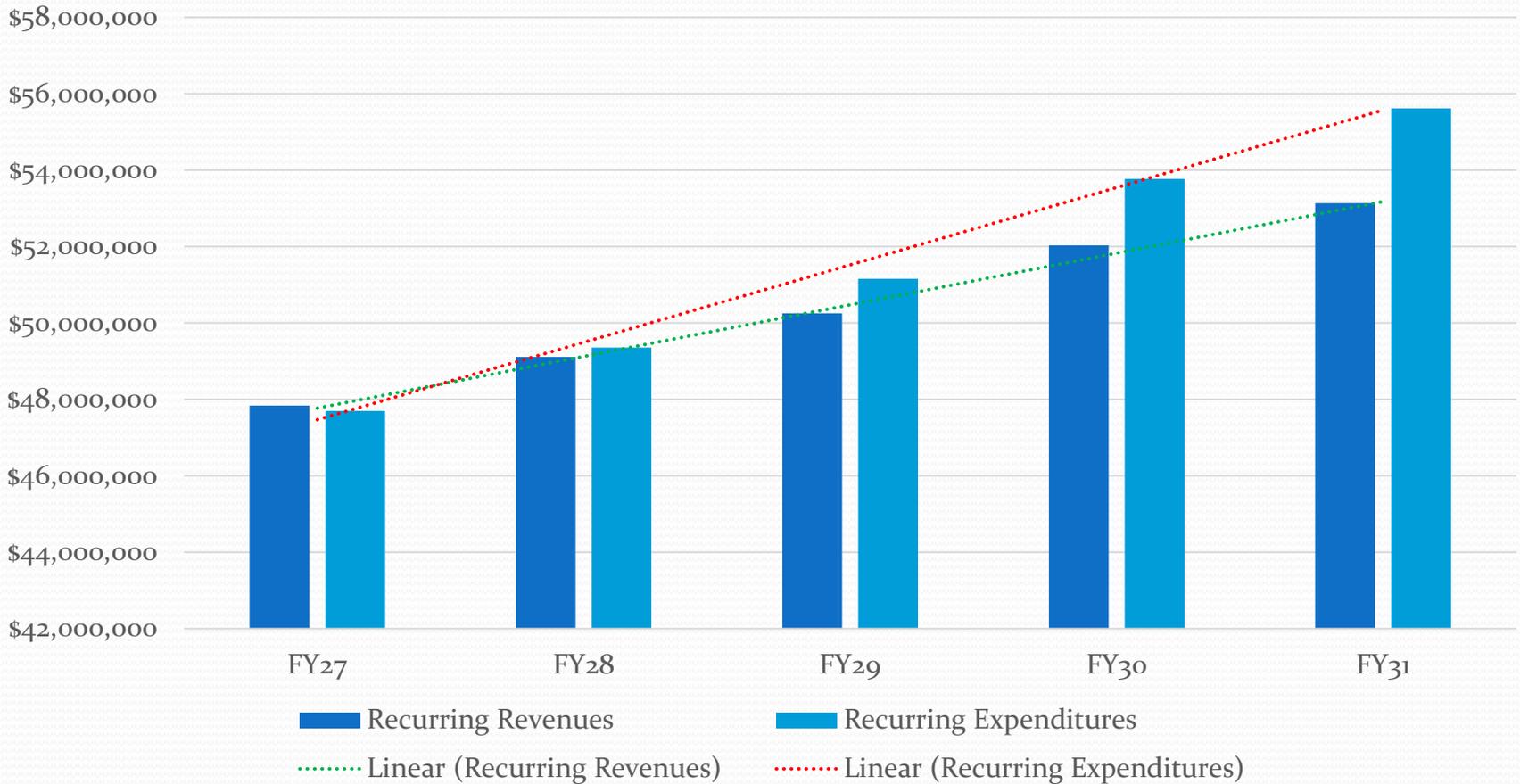
# Budget Impact Summary

<b>2026-2027 Budget Impacts</b>					
	<b>Forecasted Revenues</b>		<b>Forecasted Expenditures</b>		<b>Surplus (Shortfall)</b>
Recurring	\$	46,492,214	\$	48,909,170	\$ (2,416,956)
One-time	\$	425,000	\$	2,495,750	\$ (2,070,750)
<b>Total</b>	<b>\$</b>	<b>46,917,214</b>	<b>\$</b>	<b>51,404,920</b>	<b>\$ (4,487,706)</b>
Budget Impacts-Recurring	\$	1,348,484	\$	(1,210,737)	\$ 2,559,221
Budget Impacts-One-time	\$	360,332	\$	(1,808,514)	\$ 2,168,846
<b>Remaining Surplus (Shortfall) for FY2026-27</b>	<b>\$</b>	<b>48,626,030</b>	<b>\$</b>	<b>48,385,669</b>	<b>\$ 240,361</b>

# Fund Balance of the General Fund



# General Fund Five-Year Projection



# Questions or Feedback?

- Please contact Karen Lancaster at [klancaster@cityofnovi.org](mailto:klancaster@cityofnovi.org).