



**CITY of NOVI CITY COUNCIL**

**Agenda Item 11  
January 21, 2014**

**SUBJECT:** Approval of resolution to authorize Budget Amendment #2014-2

**SUBMITTING DEPARTMENT:** Finance

**CITY MANAGER APPROVAL:** 

**BACKGROUND INFORMATION:**

The City's annual budget is adopted by the third Monday in May each year and is effective July 1<sup>st</sup> each year. Budget amendments are prepared quarterly, or when an appropriation is required for a specific category. The budget is adopted at a category level (vs. line item). Attached is the budget amendment for the second quarter which includes the following:

**General Fund**

<b>Beginning General Fund, Fund Balance July 1, 2013</b>		<b>\$ 8,811,564</b>
<b>2013-14 Proposed Budget Amendment :</b>		
2013-14 Adopted Revenue	29,217,048	
2014-2 Second Quarter budget amendment	83,300	
Proposed Amended Revenue	<u>29,300,348</u>	
2013-14 Adopted Expenditures	(29,878,687)	
2014-1 Rollover budget amendment	(1,088,425)	
2014-1 First Quarter budget amendment	(50,293)	
2014-2 Second Quarter budget amendment	(329,172)	
Proposed Amended Expenditures after rollover and budget amendment	<u>(31,346,577)</u>	
<b>Expenditures over Revenues</b>		<b>\$ (2,046,229)</b>
<b>Projected Fund Balance, June 30, 2014</b>		<b>\$ 6,765,335</b>
<b>Projected Fund Balance as a % of budgeted expenditures</b>		<b>21.6%</b>

Second quarter new budget amendment request cover:

- Request for funds not used for the CIP Software Project from the City Manager's office will be reallocated to the Finance Department for a new Dell server which is required to handle new BS&A hardware requirements.
- Facility operations requests additional expenditures for land improvements related to additional parking on the north side of the Civic Center, installation of fencing at the Novi Cemetery, and resurfacing of the Civic Center parking lots and construction of ADA ramp improvements. These items should have been included in the first quarter fiscal year 2013 rollovers as these items were budgeted and not spent during fiscal year 2013. In addition, funds have been requested for weed cutting ordinance violations. The City contracted for grading and hydro-seeding of a newly acquired City owned property along East Lake Drive.

- The human resources department has implemented a document imaging system which supports all human resource and payroll work flows. Documents and entire files are electronically scanned and saved making storage, viewing, and retrieval of documents/files more efficient. Budget amendment has been made for the document imaging system.
- Neighborhood and business relations budget amendment is to utilize restricted PEG fees for new technology equipment in the City's council chambers.
- General administration – personal services is being reduced to help offset expenditure needs in the human resource department and public safety departments. In the original budget, sick time payout was budgeted to cover any remaining sick bank payouts. These payouts are now complete.
- Public safety request for additional expenditures include: police building camera system upgrade (approved by City Council on December 17, 2013), police firearms training center cleanup, fire apparatus repairs (including brake and regulator replacement, rebuilding alternators and transmission repairs), and police and fire employee stipends per their contracts. An additional budget request has been proposed to increase the fire department's defined contribution pension expense and retiree health savings account expense. The original budget included one firefighter who was part of the defined contribution pension plan and the retiree health savings account. The City has hired additional fire fighters and currently has six firefighters that are part of the two plans.
- The department of public works has requested additional funding for retiree health care. This account was originally under budget and needed to be corrected in order for the City to pay its other post-employment benefit annual required contribution per the actuarial report. In Addition, funds have been requested for three sets of tools for the field service complex mechanics, mezzanine left project and fuel island canopy project.
- Community development is reallocating funds to cover additional costs in temporary salaries for part-time/fill-in inspectors due to the increase in inspector's workload.

## Special Revenue Funds

### Major Street Fund

<b>Beginning Major Street Fund, Fund Balance July 1, 2013</b>	\$	1,689,075
<b>2013-14 Proposed Budget Amendment :</b>		
2013-14 Adopted Revenue	2,455,900	
2013-14 Adopted Expenditures	(3,186,890)	
2014-1 Rollover budget amendment	(527,385)	
2014-1 First Quarter budget amendment	(77,760)	
2014-2 Second Quarter budget amendment	-	
Proposed Amended Expenditures after rollover and budget amendment	(3,792,035)	
<b>Expenditures over Revenues</b>		(1,336,135)
<b>Projected Fund Balance, June 30, 2014</b>	<b>\$</b>	<b>352,940</b>
<b>Projected, TOTAL, Fund Balance as a % of budgeted expenditures</b>		<b>9.3%</b>

Major Street Fund funds are being reallocated from various projects to fund engineering work for 11 Mile Road between Town Center and Meadowbrook Road (rated PASER 2) project. This project has reached the end of its serviceable life and requires reconstruction. Anticipate construction date is summer 2015.

### Local Street Fund

<b>Beginning Local Street Fund, Fund Balance July 1, 2013</b>	\$	1,878,596
<b>2013-14 Proposed Budget Amendment :</b>		
2013-14 Adopted Revenue	3,868,250	
2013-14 Adopted Expenditures	(4,039,580)	
2014-1 Rollover budget amendment	(1,336,244)	
2014-1 First Quarter budget amendment	(94,771)	
2014-2 Second Quarter budget amendment	293,680	
Proposed Amended Expenditures after rollover and budget amendment	(5,176,915)	
<b>Expenditures over Revenues</b>		(1,308,665)
<b>Projected Fund Balance, June 30, 2014</b>	<b>\$</b>	<b>569,931</b>
<b>Projected, TOTAL, Fund Balance as a % of budgeted expenditures</b>		<b>11.0%</b>

Local Street Fund budget amendment request is to increase the City's engineering payroll allocation to better reflect actual expenditures. In addition, a request has been submitted for the construction and engineering services for 2013 Neighborhood Road projects (concrete and asphalt). These projects are substantially complete with only project paperwork remaining to close the project. The budget amendment reflects the final contract values and includes all approved change orders to the project contracts. Additionally \$600,000 allocated for the 2014 Neighborhood Road Program is being proposed to be allocated to fund balance. As most of the budgeted expenditures (construction and construction engineering) from this project primarily occur in the next fiscal year, 2014-15, and has consistently been rolled over to the next year we propose that the \$600,000 be allocated to fund balance until final construction payments come due in 1<sup>st</sup> Quarter 2014-15. This proposed action has been reviewed by the City's auditors, Andrews, Hooper and Pavlik (AHP) and they concur (attached) with our course of action.

**Municipal Street Fund**

<b>Beginning Local Street Fund, Fund Balance July 1, 2013</b>	\$ 2,410,120
<b>2013-14 Proposed Budget Amendment :</b>	
2013-14 Adopted Revenue	4,632,380
2013-14 Adopted Expenditures	(4,294,863)
2014-1 Rollover budget amendment	(1,183,831)
2014-1 First Quarter budget amendment	(222,071)
2014-2 Second Quarter budget amendment	(108,084)
Proposed Amended Expenditures after rollover and budget amendment	<u>(5,808,849)</u>
<b>Expenditures over Revenues</b>	<u>(1,176,469)</u>
<b>Projected Fund Balance, June 30, 2014</b>	<u>\$ 1,233,651</u>
<b>Projected, TOTAL, Fund Balance as a % of budgeted expenditures</b>	21.2%

The Municipal Street Fund budget amendments are a reallocation of funds for the following projects: final construction cost estimate for the Metro Connector Regional Pathway project, design engineering for a pathway connection between E Le Bost and the Village Oaks neighborhood, final payment on the 2002 construction of Grand River-Beck to Wixom project, pathway segment 145 project, a new traffic signal at 13 Mile and Cabot Drive (design phase), and additional engineering costs for the NC1-East Lake to Hickory Woods Pathway. In addition, the Municipal Street Fund has requests funds for the engineering and construction phases of the rehabilitation of the Willowbrook Bridge and the Cranbooke Bridge (both over Ingersol Creek) and additional City engineering payroll allocation to better reflect actual expenditures.

**Tree Fund**

The Tree Fund has requested a budget amendment for Fall 2013 and Spring 2014 tree and landscape planting.

**Drain Fund**

The Drain Fund budget request for additional City engineering payroll allocation is to better reflect the actual engineers payroll expenditures.

**RECOMMENDED ACTION:**

Approval of resolution to authorize Budget Amendment #2014-2

	1	2	Y	N
<b>Mayor Gatt</b>				
<b>Mayor Pro Tem Staudt</b>				
<b>Council Member Casey</b>				
<b>Council Member Fischer</b>				

	1	2	Y	N
<b>Council Member Markham</b>				
<b>Council Member Mutch</b>				
<b>Council Member Wrobel</b>				

**RESOLUTION FOR BUDGET AMENDMENT# 2014-2**

**NOW, THEREFORE BE IT RESOLVED that the following Budget Amendment# 2014-2 is authorized:**

		<u>INCREASE (DECREASE)</u>
<b>GENERAL FUND</b>		
<b>REVENUES</b>		
LICENSES, PERMITS, AND CHARGES FOR SERVICES		\$ 73,300
FEDERAL GRANTS		10,000
		<u>\$ 83,300</u>
<b>APPROPRIATIONS</b>		
<b>CITY MANAGER</b>		
Other Services and Charges		(19,541)
<b>FINANCE</b>		
Capital Outlay		19,541
<b>FACILITY OPERATIONS</b>		
Other Services and Charges		10,277
Capital Outlay		211,885
<b>HUMAN RESOURCES</b>		
Other Services and Charges		21,450
<b>NEIGHBORHOOD &amp; BUSINESS RELATIONS</b>		
Capital Outlay		6,290
<b>GENERAL ADMINISTRATION</b>		
Personal Services		(82,679)
<b>PUBLIC SAFETY</b>		
Personal Services		61,350
Other Services and Charges		53,165
Capital Outlay		31,000
<b>DEPARTMENT OF PUBLIC SERVICES</b>		
Personal Services		4,879
Other Services and Charges		(9,000)
Supplies		3,000
Capital Outlay		17,555
<b>COMMUNITY DEVELOPMENT</b>		
Personal Services		11,000
Other Services and Charges		(7,700)
Supplies		(3,300)
		<u>\$ 329,172</u>
 <b>NET APPROPRIATIONS OVER REVENUES</b>		 <u>\$ 245,872</u>

<b>MAJOR STREET FUND</b>		
<b>APPROPRIATIONS</b>		
Construction		\$ 100,572
Construction		(100,572)
		<u>\$ -</u>

**LOCAL STREET FUND**

**APPROPRIATIONS**  
Construction

\$ (293,680)  
\$ (293,680)

**MUNICIPAL STREET**

**APPROPRIATIONS**  
Construction

\$ 108,084  
\$ 108,084

**TREE FUND**

**APPROPRIATIONS**  
Capital Outlay

\$ 23,525  
\$ 23,525

**DRAIN FUND**

**APPROPRIATIONS**  
Construction

\$ 4,868  
\$ 4,868

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 21, 2014

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**Maryanne Cornelius**  
City Clerk

**City of Novi - 2nd Quarter Budget Amendment Detail - January 21, 2014**

<b>Acct#</b>	<b>GL Name</b>	<b>Amount</b>	<b>Notes</b>
<b>General Fund</b>			
<b>Revenue</b>			
101.000.00.633.100	Insurance reimbursement	\$ 43,300	Insurance proceeds received year to date
101.000.00.508.450	Federal grants	\$ 10,000	Bulletproof vest and highway safety grants received year to date
101.000.00.665.295	Library Network chargest	\$ 30,000	Library network reimbursement - new revenue in the current year
		<u>\$ 83,300</u>	
<b>Expenditures</b>			
101.301.00.980.000	Communication equipment	\$ 31,000	Police building camera system upgrade
101.301.00.920.301	Indoor gun range operating costs	\$ 9,165	Police range cleanout
101.299.00.709.100	Sick bank payout	\$ (31,000)	Police building camera system upgrade
101.000.00.680.000	Appropriation of Fund Balance	\$ (9,165)	Police building camera upgrade and range cleanout
101.337.00.935.000	Vehicle maintenance	\$ 44,000	Fire apparatus repairs (repairs to brakes, regulators, alternators and transmissions)
101.000.00.680.000	Appropriation of Fund Balance	\$ (44,000)	Fire apparatus repairs (repairs to brakes, regulators, alternators and transmissions)
101.172.001.802.000	Data processing	\$ (19,541)	Dell server to aid innew BS&A hardware requirements
101.201.00.986.000	Data processing	\$ 19,541	Dell server to aid innew BS&A hardware requirements
101.442.20.718.500	Retiree health care benefits	\$ 4,879	Original retiree health care underbudget
101.299.00.709.100	Sick bank payout	\$ (4,879)	Original retiree health care underbudget
101.371.00.705.000	Temporary salaries	\$ 11,000	Increase in construction activities, increase in inspectors
101.371.00.740.000	Operating supplies	\$ (2,900)	Increase in construction activities, increase in inspectors
101.371.00.805.090	Consulting-commercial plan rev services	\$ (3,100)	Increase in construction activities, increase in inspectors
101.371.00.956.000	Conferences and workshops	\$ (5,000)	Increase in construction activities, increase in inspectors
101.371.00.941.371	Court ordered abatements	\$ 400	Court ordered abatements based on lowest base bid
101.371.00.740.000	Operating supplies	\$ (400)	Court ordered abatements based on lowest base bid
101.265.00.971.100	Land improvements	\$ 109,450	Additional parking on north side of Civic Center
101.000.00.680.000	Appropriation of Fund Balance	\$ (109,450)	Additional parking on north side of Civic Center
101.442.30.740.000	Operating supplies	\$ 5,000	Three sets of tools for Field Service Complex mechanics
101-442.00-814.000	Contractual Services	\$ (2,000)	Three sets of tools for Field Service Complex mechanics
101-442.20-941.204	Mailbox repairs and replacments	\$ (2,000)	Three sets of tools for Field Service Complex mechanics
101-442.30-934.000	Building Maintenance	\$ (1,000)	Three sets of tools for Field Service Complex mechanics
101.442.00.976.000	Building improvements	\$ 17,555	Mezzanine lift project and fuel island canopy project
101.442.00.924.100	Street Lighting Maintenance	\$ (2,000)	Mezzanine lift project and fuel island canopy project
101.442.20.745.000	Signing supplies	\$ (2,000)	Mezzanine lift project and fuel island canopy project
101.442.20.941.200	Cemetary maintenance	\$ (2,000)	Mezzanine lift project and fuel island canopy project
101.000.00.680.000	Appropriation of Fund Balance	\$ (11,555)	Mezzanine lift project and fuel island canopy project
101.265.00.971.100	Land improvements	\$ 102,435	Installation of fencing at Novi Cemetery and resurfacing of Civic Center
101.000.00.680.000	Appropriation of Fund Balance	\$ (102,435)	Installation of fencing at Novi Cemetery and resurfacing of Civic Center
101.299.00.709.100	Sick time payout	\$ (21,450)	HR document imaging system
101.270.00.802.000	Data processing	\$ 21,450	HR document imaging system
101.295.00.880.200	Citizens survey	\$ 1,400	Citizen survey speaker not originally budgetede
101.295.00.880.100	Cable production	\$ (1,400)	Citizen survey speaker not originally budgetede
101.295.00.980.100	Communications equipment - PEG fees	\$ 6,290	Rollover of budget from FY 13, council chamber equipment
101.000.00.680.000	Appropriation of Fund Balance	\$ (6,290)	Rollover of budget from FY 13, council chamber equipment
101.301.00.704.200	Wages (non-pensionable)	\$ 6,000	Police and fire union stipend (per contracts)
101.337.00.704.200	Wages (non-pensionable)	\$ 30,000	Police and fire union stipend (per contracts)
101.000.00.680.000	Appropriation of Fund Balance	\$ (36,000)	Police and fire union stipend (per contracts)
101.337.00.718.200	Pension-defined contribution	\$ 19,900	New hire firefighters in DC and RHS plans
101.337.00.718.450	RHS	\$ 5,450	New hire firefighters in DC and RHS plans
101.299.00.709.100	Sick bank payout	\$ (25,350)	New hire firefighters in DC and RHS plans
101.265.00.941.372	Weed cutting ordiance-violations	\$ 10,277	Grading and hydroseeding of newly acquired City owend property
101.000.00.680.000	Appropriation of Fund Balance	\$ (10,277)	Grading and hydroseeding of newly acquired City owend property
		<u>\$ -</u>	

**City of Novi - 2nd Quarter Budget Amendment Detail - January 21, 2014**

<b>Acct#</b>	<b>GL Name</b>	<b>Amount</b>	<b>Notes</b>
<b>Special Revenue Funds</b>			
202.202.00.805.xxx	11 Mile Road reconstruction engineering	\$ 100,572	11 Mile Road between Town Center and west of Meadowbrook Road
202.202.00.865.115	Construction Novi/Old Novi signalization	\$ (65,192)	11 Mile Road between Town Center and west of Meadowbrook Road
202.202.00.865.458	Construction Fountain Walk Drive	\$ (19,150)	11 Mile Road between Town Center and west of Meadowbrook Road
202.202.00.805.459	Engineering West Oaks Drive	\$ (1,230)	11 Mile Road between Town Center and west of Meadowbrook Road
202.202.00.865.654	Construction Nine Mile (Beck to Taft)	\$ (15,000)	11 Mile Road between Town Center and west of Meadowbrook Road
		<u>\$ -</u>	
203.203.00.805.001	Engineering (city services)	\$ 61,320	Engineering payroll allocation based on actual expenditures
203.000.00.680.000	Appropriation of Fund Balance	\$ (61,320)	Engineering payroll allocation based on actual expenditures
203.203.00.865.432	Construction-Neighborhood Rds 2013	\$ 180,000	Final project costs on 2013 Neighborhood Road Projects
203.203.00.805.433	Engineering - Neighborhood Rds 2013	\$ 145,000	Final project costs on 2013 Neighborhood Road Projects
203.203.00.805.434	Engineering - Neighborhood Rds 2014	\$ (80,000)	Final project costs on 2013 Neighborhood Road Projects
203.000.00.680.000	Appropriation of Fund Balance	\$ (245,000)	Final project costs on 2013 Neighborhood Road Projects
203-203.00-865.434	Construction-Neighborhood Rds 2014	\$ (600,000)	Estimated costs for 2014 Neighborhood Road Projects - FY 14-15
203.000.00.680.000	Appropriation of Fund Balance	\$ 600,000	
		<u>\$ -</u>	
204.204.00.862.616	Easements etc-Novt Rd-10 to GR	\$ (29,137)	Construction metro connector pathway
204.204.00.974.429	Neighborhood connector seg. 2-Brookfarm	\$ (9,067)	Construction metro connector pathway
204.204.00.974.434	Sidewalks-Eng-M5/I275 Trail Connector	\$ (38,261)	Construction metro connector pathway
204.204.00.974.435	Sidewalks-Con-M5/I275 Trail Connector	\$ 76,465	Construction metro connector pathway
204.204.00.862.616	Easements etc-Novt Rd-10 to GR	\$ (16,000)	Pathway E Le Bost to Village Oaks
204.204.00.974.444	Sidewalks - Eng - E LeBost to Village Oaks	\$ 16,000	Pathway E Le Bost to Village Oaks
204.204.00.862.616	Easements etc-Novt Rd-10 to GR	\$ (30,400)	Final payment - Grand River Beck to Wixom
204.204.00.865.876	CONSTRUCT-Gr River Beck to City Limits	\$ 30,400	Final payment - Grand River Beck to Wixom
204.204.00.862.619	ROW Gr River Beck	\$ (7,000)	Pathway Segment 145 - appraisal for easement
204.204.00.974.417	Sidewalks-eng & ROW-seg#145 10 MI	\$ 7,000	Pathway Segment 145 - appraisal for easement
204.204.00.862.616	Easements etc-Novt Rd-10 to GR	\$ (16,415)	New traffic signal at 13 Mile and Cabot Drive (Design)
204.204.00.863.507	Eng-Traff Sig Imp (13 Mile & Cabot)	\$ 16,415	New traffic signal at 13 Mile and Cabot Drive (Design)
204.204.00.862.620	ROW 13 Mile	\$ (23,000)	NC1 - East Lake Hickory Woods Pathway
204.204.00.974.430	ITC Corridor	\$ (42,243)	NC1 - East Lake Hickory Woods Pathway
204.204.00.865.616	Construction-Novt Rd 10 MI-GR	\$ (60,196)	NC1 - East Lake Hickory Woods Pathway
204.204.00.974.426	Sidewalks-Seg# 144- Meadowbrook GR to Ch	\$ (13,680)	NC1 - East Lake Hickory Woods Pathway
204.204.00.974.427	Sidewalk-Seg#36 Taft Rd - 11MI-GR	\$ (16,703)	NC1 - East Lake Hickory Woods Pathway
204.204.00.974.429	Neighborhood connector seg. 2-Brookfarm	\$ (12,284)	NC1 - East Lake Hickory Woods Pathway
204.204.00.974.432	Sidewalks-Eng-Seg NC1 E Lake Dr to Novi	\$ 30,106	NC1 - East Lake Hickory Woods Pathway
204.204.00.974.433	Sidewalks-Con-Seg NC1 E Lake Dr to Novi	\$ 138,000	NC1 - East Lake Hickory Woods Pathway
204.000.00.680.000	Appropriation of Fund Balance	\$ (65,000)	Willowbrook/Cranbrooke bridge improvements
204.204.00.866.011	Meadowbrook Bridge over Ingersol Creek	\$ 65,000	Willowbrook/Cranbrooke bridge improvements
204.000.00.680.000	Appropriation of Fund Balance	\$ (43,084)	Engineering payroll allocation based on actual expenditures
204.204.00.805.001	Engineering (city services)	\$ 44,450	Engineering payroll allocation based on actual expenditures
204.204.00.974.418	Sidewalk construction-Seg#145 10 MI	\$ (1,366)	Engineering payroll allocation based on actual expenditures
		<u>\$ -</u>	
209.000.00.972.100	Trees	\$ 23,525	
209.000.00.680.000	Appropriation of fund balance	\$ (23,525)	
210.211.00.805.001	Engineering (city services)	\$ 4,868	Engineering payroll allocation based on actual expenditures
210.000.00.680.000	Appropriation of fund balance	\$ (4,868)	Engineering payroll allocation based on actual expenditures





January 16, 2014

Victor Cardenas, Assistant City Manager  
City of Novi  
45175 W. Ten Mile Road  
Novi, MI 48375

Victor,

Per our conversations and email correspondence regarding the potential noncompliance with the City's current fund balance policy requiring a 10% fund balance contingency:

The City of Novi operates under a centralized purchasing system and adopts a formal budget on an annual basis. As part of the purchasing and budgeting processes, large capital projects (including the neighborhood roads program) are typically budgeted and approved at the project level. The entire capital project will be approved and encumbered with a purchase order in one fiscal year, even if the project is not expected to be completed within that fiscal year. Therefore, there are many projects that will remain encumbered and roll forward to the next fiscal year.

Because the City needs a purchase order issued prior to commencement of the project and the fact that the PO is issued for the entire project cost, the City may at certain times project an ending fund balance in the Streets funds of under their 10% required limit, or potentially an ending fund balance deficit. Rather than doing that, we suggest that the City continue to review their budget situations and amend the budgets as needed. If it is known that an entire project may not occur within 1 fiscal year, it makes sense to amend the budget at that time so the fund does not project lower fund balances than expected.

Currently the PO's are tied to the budgeting process, but potentially that does not need to be the case. The City should consider and review the PO and budgeting process to determine whether the entire project does in fact need to be reflected on the PO. Another option may be to break the project into phases and only issue a PO for the phase of the project that is expected to be completed within the fiscal year. Or, a multi-year PO could be issued that indicates the fiscal years that will fund the project – for example, if there is a project that will be completed in both 2013/14 and 2014/15, the PO could list the dollar amount to be funded via 2013/14 and then a separate amount to be funded via 2014/15.

Please let us know if we can be of any further assistance in this matter.

Sincerely,

A handwritten signature in black ink that reads 'Angela M. Gwizdala'. The signature is fluid and cursive, with a large, stylized 'A' and 'G'.

Angela M. Gwizdala, CPA