



City of Novi, Michigan

**FISCAL YEAR 2008-2009
BUDGET MESSAGE**

March 2008

Mayor Landry and City Council Members:

In the past, we have noted attributes at work in Novi as the ingredients of future success. On the state level, *Michigan Future, Inc.*, a non-partisan, non-profit group dedicated to finding ways to further the economic and social interests of our state in an increasingly competitive world, issued a report last year entitled “A New Agenda for Michigan.” The report details what needs to be done to help our state transition to a knowledge-based economy. The researchers at *Michigan Future* view this transition as essential for Michigan and its residents to once again enjoy broad prosperity. As difficult as the message in the “New Agenda” report is, there is encouragement to be found in its findings. There is a call for what it will take to better position Michigan and its communities to succeed in the new entrepreneurial economy. The call meshes well with the characteristics of Novi that we know have accounted for our record of success in recent years.

A central point of the report is that in almost all states with the highest per capita incomes in the nation (prosperity), there are a high proportion of adults with four-year degrees coupled with a high percentage of employment in knowledge-based industries. What to do to attract such workers and employers? The report lists several factors, two of which seem particularly on-target for Novi:

- **“Building a culture aligned with the realities of a flattening world by highly valuing learning.”** The adult population in Novi possessing a bachelor’s degree exceeds the national average by two times. Promoting and assisting two quality higher education facilities within the city limits shows the value we place on learning at the highest levels. Recent ordinance changes made possible one of Novi’s newest welcome additions, The Art Institute of Michigan, which offers a local bachelor degree program in creative arts and perfectly complements Walsh College and its business programs. Our award-winning public and private schools, and the dedication of those who guide them, ensure that no one loses out on the opportunity to learn and compete for new opportunities and jobs. The forthcoming new Novi Public Library is a symbol of our community’s commitment to life-long learning.
- **“Creating places where talent – particularly mobile young talent – wants to live.”** Novi exudes energy and openness to people of all backgrounds and interests. You can feel it at the Main Street development, 12 Mile Crossing at Fountain Walk, and Twelve Oaks while shopping or dining; you can see it at the Civic Center on weekends in the abundant variety of neighborhood and cultural events; you can sense it at the schools, with their diversity of perspectives. Novi offers a plethora of housing choices, from single-family neighborhoods to apartment and condominium

development options accessible and inviting to young professionals who choose our community to live and work in at increasing rates. Coming full circle, we have an active and engaged older adult population that frequently volunteers, remains involved at civic events such as with boards, commissions, theatre performances and trips. In Novi, our older adults have particularly deep roots – 73% of older adults (55 and over) have lived in Novi for 11 or more years.

All of these factors matter because of the impact they have on our continued prosperity. Novi City government is in tune with the need to have opportunities for lifelong learning and the sense of “place” where talent can thrive. Both can make a positive impact along with strategic investments by the public and private sectors.

Novi has done well in large part because the elected and appointed leadership has focused on making the most of our fundamental strengths. The *Michigan Future, Inc.* group affirms that strong state economies that have *successfully* made the transition to knowledge-based economies are anchored by strong metropolitan areas and strong center cities. Novi is doing well and is a leader in our area, but we are centered in a larger area that remains troubled, winning a race of slower runners. We want to be a part of a winning region. The goal is that, when the country is economically stronger and exhibiting more of the attributes, Novi will be thriving at the forefront of a robust Midwest region. We approach this budget year with that goal in mind and with our practical focus on an analysis of Novi’s financial future and the service improvements that this recommended budget proposes to help meet that goal.

Looking forward with the 2008 – 2011 Fiscal Analysis

One of the tools necessary for looking forward is a multi-year baseline projection. This document, included as Appendix D, is a Fiscal Analysis for 2008-2011. This analysis covers City funds derived from property taxes, which provide 60 percent of our governmental funds revenue. A multi-year prognosis, recognizing the ever-changing parameters within which we work, helps City Council as policymakers and the staff as implementers to focus upon the long-term and strategic aspects of budgeting rather than a one-year perspective.

The timing of this Fiscal Analysis is practical as well as strategic. The City Council elections in November 2007 were followed by goal setting sessions in December 2007 and January 2008. We have progressed to develop the FY 2008/09 Budget with an eye toward the longer horizon provided by the Fiscal Analysis. The evolution toward a multi-year process also better complements the City’s longer-term goals.

The estimates detailed in the Analysis provide a baseline that is sensible. We once again included a lower estimate than the State provides us for the upcoming year’s State Shared Revenue. In fact, the FY 2008/09 balanced budget you have to consider carries a State Shared Revenue of \$3.43 million, five percent lower than the State’s estimate. In FY 2007/08 we lowered the estimate by two and a half percent. As in the past, if the actual revenue exceeds the budget projection, we can rely upon those additional funds for programming the non-recurring and other service enhancements the following year once that certainty is reached. This conservative approach has worked well in the past:

General Fund Proposed Budget			
	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
Revenue	\$ 29,897,090	\$ 30,975,239	\$ 29,664,960
Appropriation of Fund Balance	2,834,486	3,188,428	3,374,241
	<u>\$ 32,731,576</u>	<u>\$ 34,163,667</u>	<u>\$ 33,039,201</u>
"Ordinary" Expenditures	\$ 29,692,726	\$ 30,625,667	\$ 30,507,201
Additionally Recommended Expenditures*	3,038,850	3,538,000	2,532,000
	<u>\$ 32,731,576</u>	<u>\$ 34,163,667</u>	<u>\$ 33,039,201</u>
*Additionally recommended expenditures include capital improvements and equipment, non-recurring items and reduction in liabilities.			

Property tax revenue is estimated to be \$37,288,000 in total for all funds. The City Council adopted a policy resolution on July 23, 2007 giving the direction to maintain the City's total 10.5416 millage rate. That rate, when applied against the taxable value for all property in the City, will increase revenue \$398,000 from last year, an estimated one percent more available to support the public services in this budget.

Our Fiscal Analysis shows the City of Novi is on a firm financial foundation. We can continue full services, provide capital improvements like neighborhood road improvements, and participate in the Novi Road Link project with the Road Commission for Oakland County. That said, there are many other capital improvement projects for roads and park improvements that are not included within this base Fiscal Analysis, as well as City facility improvements at the Field Services Complex and our Fire Station facilities that need to be addressed. We have set aside \$1 million in this budget as part of an 18% - \$5,940,000 projected fund balance dedicated for those future capital improvements as an early "down payment."

Enhancing services to residents

There are 284 present positions providing the dedicated services you expect. Of that total 130, or 46 percent, are in police and fire, reflecting our commitment first and foremost to public safety. This recommended 2008-2009 budget does not propose the addition of full-time staff; however, the particular assignment of our staffing complement is not static. During the year, we examine each position opening to ensure resources are aligned with our current needs. This year, for instance, when a purchasing position came open in early 2008 due to a retirement, we decided to move that full-time position to the Information Technology Division upon whom all of us increasingly rely to perform all services efficiently. In addition, when an administrative position in Public Works came open, we chose not to fill it. We also combined part-time duties in the Treasury group to provide a full-time position there which is funded from the enterprise fund. Creative and prudent use of our resources is always top of mind.

Position assessments throughout the year are first and foremost the obligation of those who are closest to the work. Our staff is responsible for implementing and recommending daily within budgets formally reviewed and adopted by the City Council once a year. Staff makes conscientious daily decisions about purchasing, using their time efficiently and seizing opportunities to realize the City Council's priorities. For instance, the personal services budget category in the Community Development/Building Department reflects reduced overtime estimated for FY 2007/08 and again in FY 2008/09 because of managers making

the commitment to actively match service demands with necessary resources. We will continue to make investments in equipment, technology, and training—all of which provide the best opportunities for good decisions on a daily basis.

We realize that the 284 full-time positions in the City are just one of several resources we draw upon for Novi's success. Our Fire Department is committed to its combination of service providers (auxiliary, paid-on-call, full-time, contracted ambulance) and making the system work better every day. This can and does also include relying upon our citizen CERT volunteers at various times. In this budget, we have chosen not to fund the full-time positions requested by the department staff responsible for describing needs and have instead recommended adding several part-time and intern positions. We are also including a police and fire staffing study to look at our internal and external needs to fulfill our commitment of public safety excellence. We are increasingly finding such staffing solutions to be both effective and efficient. Without paying for benefits, we can expand services to older adults with part-time programmers and enhance overall public safety with a police cadet program.

Diversifying and Growing Economic Development

Analysis of our diverse tax base within the fiscal analysis reveals that even though growth slowed overall, there is a divergence in the segments of the tax base. Non-residential (business properties) taxable value grew by 10.0% (\$1.29 billion to \$1.34 billion)—our largest growth in non-residential development for at least the last five years. At the same time, total residential taxable value decreased slightly, by 0.06%, to \$2.25 billion for 2008. The difference contributes to non-residential as a percentage of total taxable value increasing to 37.4% of the total.

Diversifying and deepening our tax base remains one of our highest priorities. Quality economic development provides the jobs, the attraction for more residents, and the addition of corporate citizens who contribute to worthy causes. The City Council adopted a new set of City economic development priorities in January. Portions of the review of the 2007 work can now include the increased non-residential tax base noted above. Our Neighborhood and Business Relations (NBR) Group continues to accomplish the economic development goals identified by the City Council. Our staff is committed to touting the advantages of investing in Novi on the City's website and through other internet-based efforts, in letters/welcome packets, and in person. For the year ahead, the only additional resources identified over the base budget are an intern position to further the work of the NBR team.

We do recommend a very important, hard-hitting, action-oriented analysis and recommendations for the "V for Victory" corridor. The corridor is large and critical as an economic engine, extending from I-275 to Wixom Road, bounded by Twelve Mile Road and Grand River Avenue. This transportation corridor, of high interest to MDOT and RCOC, can be a driver of much future prosperity.

An essential part of marketing and transacting business smoothly is making it clear to persons traveling to City businesses/stores/restaurants where they can transact business. This budget has funding for a much-needed inventory of existing signage along roadways in the City so that our public works crews have both the standards and the plans necessary to systematically upgrade directional signage. In addition, we have budgeted to continue the major roadway entryway signage program. We now call for that program to be completed within two years. The signage on Novi roadways will be logical and inviting for motorists, whether the motorist has lived here just one month or for decades.

Managing current and future benefit costs

A dividend of looking ahead was paid in November 2007 when we received results of the retiree health care valuation program. Long anticipated and planned for, the City complied with all the regulations established by the Governmental Accounting Standards Board Statement (GASB 45) by completing an independent actuarial study and will be recognizing the annual required contribution, and reporting on the liability difference for post-employment benefits other than pensions. The benefits include retiree health care coverage for medical and prescription drug insurance premiums. Retirees contribute 20% of the cost of their premiums.

The City has budgeted sufficient contributions for 2007/08 and 2008/09 in order to meet the minimum required payments, estimated at \$1,378,000 for each year. As of July 1, 2007, the fund is 42.4% funded overall. In five years, the City has nearly tripled fund assets, increasing it from \$2,829,012 to \$7,992,415 between June 30, 2002 and July 1, 2007. In November 2007, the actuaries concluded that, "If the required contributions to the Fund are made by the employer going forward at the levels required on the basis of success actuarial valuations, the Plan will operate in an actuarially sound manner." You will recall that in the FY 2006/07 budget, we made a one-time \$1 million contribution, which helped us to effectively "catch up" and be in the current sound position going forward. In FY 2007/08, we dedicated the statutory portion of State Shared Revenue (\$388,000) as an additional set-aside for the future.

Open Government

Communication and listening with our citizens remains another priority. Our electronic offerings are leaping ahead along with our residents' ability and interest to access them with this means. Our City website is one of the most comprehensive in the country and is viewed daily by more than 1,000 viewers. An example of the value of online services is Parks, Recreation & Forestry offerings, with between 60 and 70 percent of programs being registered for via the cityofnovi.org website. A different electronic communication medium that has been very successful is our cable access channel 13, which developed more original programming, available also on demand on our website. Included in the upcoming SWOCC budget will be ability to cover the start-up costs for posting our cable programming over the new AT&T service provider.

Sound Infrastructure

As we anticipated last year in our look ahead, the Drain Revenue levy is being lowered for the upcoming budget. That revenue is matched against anticipated stormwater capital and maintenance expenses. The fund, supported by property taxes, and the Drain Perpetual Maintenance Fund, is projected in the Fiscal Analysis and provides sufficient revenue to complete all identified projects.

Roads remain paramount as one of the tangible benefits of solid City services. In calendar year 2007, we successfully completed five projects totaling \$3.45 million in construction value. The projects completed during 2007 included \$1.99 million for neighborhood roads; \$465,000 for Beck Road rehabilitation between Ten Mile Road and Providence Park Boulevard; \$611,455 for Taft Road; and \$391,000 for City-constructed sidewalks. Because of savings in our 2007 neighborhood road programs, a third contract is being awarded for construction in spring 2008 within FY 2007/08. These construction costs are in addition to the design and other 'soft' costs such as acquiring the right-of-ways necessary to complete a project.

Our Engineering Division staff has been particularly successful in acquiring grants and partnerships to further our road improvements and therefore lowering direct City costs. The success began with securing funding for Beck Road improvements in the amount of \$202,000 for \$525,000 worth of upcoming work at the Ten Mile Road intersection. The success continued when we received notice in November 2007 that the City had been awarded a \$170,000 grant that would cover 50% of the construction costs to rehabilitate Nine Mile Road between Haggerty Road and Meadowbrook Road.

Part of the virtuous circle at work here is Novi's location. Our Novi advantage is being at a crossroads with easy access to highways and interstates. The Michigan Department of Transportation has programmed \$11.5 million worth of roadwork to ramps and bridges on interstates within Novi to be done in the near future. This is in addition to the \$14 million rehabilitation to I-96/I-696 projected for 2009, \$7.8 million of which will take place in Novi. All of this work will be done in concert with Novi's cost participation in the amount of \$465,000 (or roughly 2.5% of the projects' costs). The City needs to be in a position to fund our share of this work in FY 2009/10 with planned completion by 2010.

In July 2007, we provided City Council with an inventory of existing shared services as a starting point for enhancing worthwhile relationships for citizens. This area has been one of the most productive over the last year. Our new Library Director has become a part of our Leadership Group. She has supported a trial year of integrating the Library's annual newsletter formerly mailed independently to Novi households with our own Parks, Recreation and Forestry program guide. Taking that publication opportunity further, we have approached the three school districts with facilities within Novi about increasing use of these publicly-owned buildings and also better coordinating activities. Internally, the City has started to promote to our staff a series of low-cost training opportunities provided through Oakland County.

One of the recommendations of the July 2007 Shared Services Report was to review the cost structure for emergency dispatch that we provide. The analysis was done and we are taking action to negotiate additional revenue for greater cost recovery for Novi.

Summary

Under the City Charter, it is the City Manager's responsibility to present the City Council the recommended Fiscal Year 2008/09 Budget for the City of Novi. As always, it is truly the work of many people who care about Novi and want it to excel. The policy document that has been assembled is much more than a statement of revenues and expenditures.

We look forward to starting road projects and our new library as visible examples of the return upon our residents' and businesses' investments. The majority of the work we do is "silent" and seamless within the community—from property reviews by assessing, to preparedness activities by police and fire, to review of our ordinances and planning tools.

In the past, I have shared the concept of the "virtuous circle" being at work in Novi—a scenario in which each cycle ends in a positive result that is built upon to achieve even better results in the next cycle—and how that is made possible by our unique physical, cultural, and personnel resources. This balanced budget builds upon previous City policies, actions, and successes. It assumes a cycle of analyzing issues and assets, planning for their resolution or use, preparing to achieve and then executing those plans, and finally setting up a system that adjusts to those results and leaves the City in the position to do it all over again, even better.

Looking confidently toward the future with open eyes and open minds focused on the facts is a Novi hallmark. These characteristics are also appropriate watchwords for the 2008/09 City

of Novi budget. The core services provided to residents and businesses will be enhanced in this budget given the available resources. We do this to build future prosperity. These investments are made to meet the expectations of both residents and businesses which continue to choose Novi as home amid unlimited choices around the world. Our city has a first-class location, offers high-quality educational choices, provides excellent public safety, is a powerful retail magnet, and showcases dynamic high-tech and office opportunities. In Novi, we welcome residents of all ages and backgrounds to our great community.

Thanks to all the staff that made this budget document possible with their talents and energies, and to the staff and community members who commit themselves every day to making Novi great. We look forward to working with the City Council and the community on moving this budget agenda forward and making 2008/09 the best possible for Novi.

Respectfully submitted,

A handwritten signature in black ink that reads "Clay J. Pearson". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Clay J. Pearson
City Manager

cc: Leadership Group