



City of Novi, Michigan

**FISCAL YEAR 2011-12
BUDGET MESSAGE**

May 2011

Honorable Mayor and City Council Members:

Some business gurus claim that to be successful a firm should focus on a single business purpose at a time — selling one product line with a singular concentration, for example. Local governments don't have that luxury. We in city government have multiple obligations — we produce a number of "product lines" that aren't all related to each other. Our broad business purpose is to build and maintain a community for the existing residents and businesses as well as for those yet to come. Our duty is to provide a community that is attractive, safe, fun, welcoming, and open; one that is efficiently and effectively run, providing services with the right balance of responsibility and opportunity.

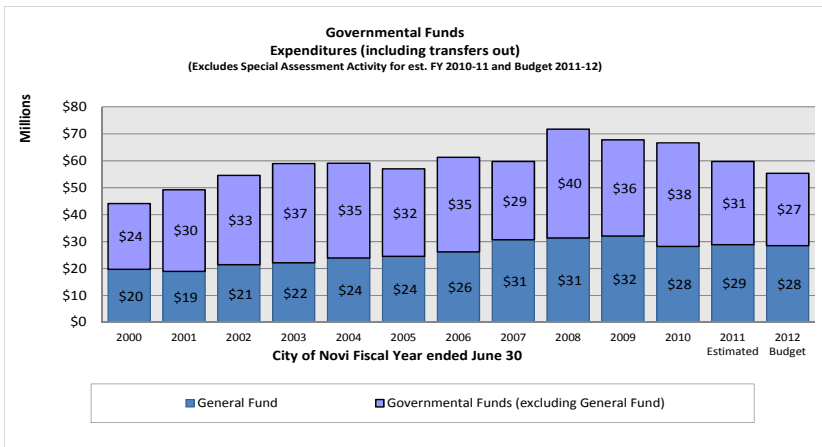
A broad purpose requires a wide focus but achieving that purpose demands that the focus also be sharp and clear. So, we attend to many different things at once, but are careful not to try to do everything. The document we present here shows, once again, that what we focus upon in Novi — infrastructure, public safety, citizen services, parks/recreation/cultural services, protection of natural resources, financial stewardship — are all done well.

One question we started asking in our 2008 regular Citizen Survey was how much respondents agree with the statement, "I would recommend Novi to friends as a place to live." In the 2010 survey, 53% responded that they strongly agreed and another 34% somewhat agreed, which compares with 2008's high positive rates of 49% and 36%, respectively. Clearly we have focused upon on the right things for a good majority of our residents.

This budget document, and the process it represents, is our annual opportunity to evaluate whether there are ways to sharpen that focus even more, or to change it to include some things and not others. This transmittal letter will first give a short overview of some of the significant elements of this year's budget as they relate to the core functions upon which we seek to concentrate: roads, physical plant, needed equipment—and how they in turn define our community. The transmittal confirms that budget details are well within the expectations set by Council with regard to fund balance. And it concludes by addressing how well the City scores in the categories highlighted in Governor Snyder's recent "special message" to local governments

Focusing upon the things we do in city government for the 2011-2012 City budget is in no way intended to mean that only government shapes the community, or that we don't look for outside help. It takes little investment other than time and high quality staff to engage citizens in their local government and ask them to participate in shaping their community — whether that be one of the 220-plus trained Community Emergency Response Team (CERT) members, the many citizen members of our boards and commissions, individuals starting up a business, Rotary members looking to refocus their volunteerism, or the Japanese citizen expatriates working in southeast Michigan who choose to rent/buy a home here and fill our schools with energy and ideas. Building personal relationships builds trust and understanding and this budget also seeks to facilitate that.

In the end, it is up to the City's elected and administrative leaders to tell the Novi story far and wide — sometimes informally in face-to-face communications, and sometimes more formally when we talk to local, statewide, national, or even international colleagues, collaborators, and potential partners. We take these same opportunities to learn how we can get even better at improving our focus. Again, in Governor Snyder's recent words, Michigan is "competing for success in a global marketplace [by] creating [a place] where workers, entrepreneurs, and businesses want to locate, invest, and expand." Understanding that the marketplace is indeed *global* is an integral place to start.



Continued focus on core functions

The budget and financials we present here tend to concentrate on one fund, the General Fund. In fact, the City's stewardship and work crosses multiple interlocking

and mutually-supportive activities that are each separated for financial reporting purposes and compliance with finance-related legal requirements. As of June 30, 2010, the City had 30 individual funds (excluding special assessment funds), of which 24 are considered governmental funds. The remaining six include both proprietary and fiduciary funds. The General Fund is the largest single fund, and has the broadest set of purposes, but accounts for less annual revenue than others combined. The City is a large, complex, multi-faceted conglomerate of sometimes competing activities and responsibilities that inherently defies the narrow focus advice of the aforementioned business gurus.

So, how do you see a clear vision of the total picture at a glance? A good way to is to look at the statement of net assets found in the Comprehensive Annual

Financial Report prepared by our Finance Department. It shows that as of June 30, 2010, the City's net assets exceeded its total liabilities by \$325 million. It is exactly this type of balance sheet statement that Oakland County officials speak frequently about, and they emphasize as an important financial measurement during their budget symposiums on the State of Michigan's financial problems. Novi's balance sheet remains strong despite the economic turmoil that has not left us untouched. That Novi difference results in good measure from the kinds of investments the City has made and its keen focus on the right things over the past several years.

Over 67% of the City's net assets are capital assets — roads, utility pipes, equipment, buildings, and land — all are used to provide core services to residents and businesses. Unrestricted net assets for just our governmental activities (not the "business-type" activities of water/sewer funds, ice arena, and senior housing funds) were \$8.3 million.

By comparison, the first year we did government-wide reporting of this sort was eight years ago in 2003. As of June 30, 2003, total net assets were \$230 million, with unrestricted net assets of \$4.4 million. Over the last eight years, while providing day-to-day essential services and paying for wages and salaries, we have expertly added 41% value to the City of Novi's total net assets under our stewardship.

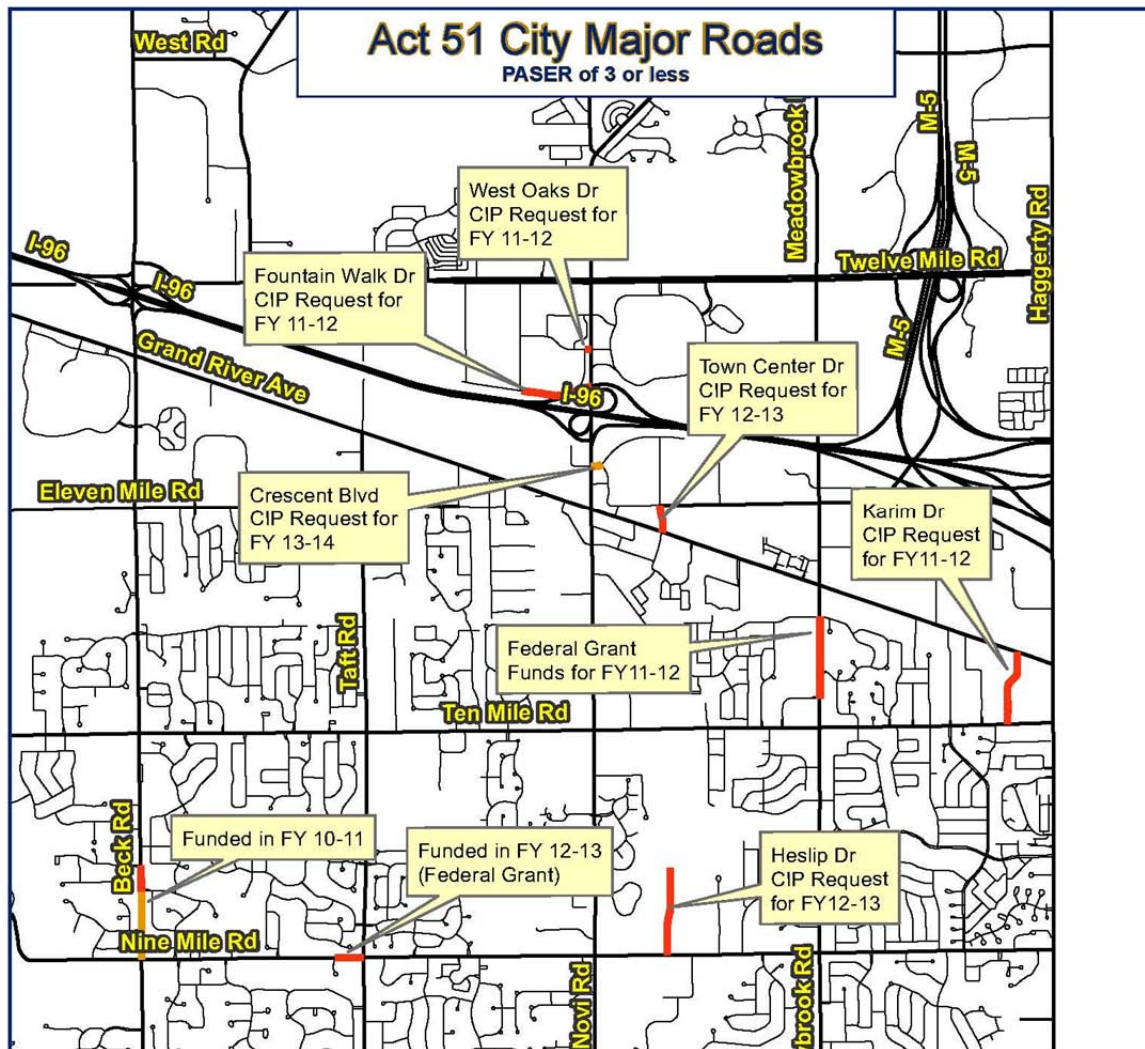
For the budgets presented in this document, we are proposing that the City continue to make these sorts of long-term, fixed asset investments. We start with an increase in the FY 2010/11 mid-year expenditure estimates to purchase additional equipment and tools for the Department of Public Services to provide needed snow and ice control. This equipment is multi-purpose. The replacement trucks, for example, will provide services for a variety of field service operations year-round. Equipment and tool expenses total \$422,000.

For the FY 2011/12 General Fund, we recommend investments in one-time and capital work on the order of \$1.6 million. These include replacing the roof at the Civic Center, replacing a street sweeper (a service recognized as 'important' in the Novi citizen perceptions survey), and replacing a large dump truck. Not fancy or glamorous things, just prudent care of business, maintaining and extending the useful life of the City's valuable assets, and seeking to not defer expenditures into the future.

You will see an aggressive program, consistent with the City Council's focus on infrastructure, to maintain and improve roads in this budget. There is \$3.7 million set aside in the three road funds (Local, Municipal, and Major) for capital investments including engineering and construction. That **\$3.7 million is just City of Novi money that we have at our discretion for such investment**; there are millions more in leveraged County, State and Federal money that will likely be available to continue the efforts to maintain Novi's first-class infrastructure. The intention is to follow a complete streets approach (which will be formalized with ordinances or resolutions and related design standards) which will allow the City

to continue the recent emphasis on non-motorized pathways. That includes sidewalks on Nine Mile Road, studying a non-motorized safe crossing of I-96, and sidewalks included in the Novi Road Link widening.

Another way to look at the success of our road investments over time is to evaluate the progress being made on the streets in worst condition throughout the City. The following image depicts all City Major Roads that have a PASER rating of two or three (there are none with a one rating), which are either programmed or targeted for improvement:



No discussion of Novi roads would be complete without noting that Grand River Avenue between Novi Road and Haggerty Road will be repaved in FY 2011/12. A major entryway or artery to the City, this County road is one of our most deteriorated roads (and one of the most deteriorated roads in the County that carry similar traffic volumes) and is scheduled to be resurfaced by the Road Commission for Oakland County using primarily Federal funds leveraged by equal participation of RCOC and Novi. **When you pick up this budget document one year from now in 2012, Novi's overall road network will be in the best shape**

it has ever been, with the capacity and condition to match the community’s bold ambitions and commitment to quality.

A defined, but wide, focus shows that the City is providing its purposeful essential services at a consistently high level. This budget document shows the City continuing to do so for the budget years shown. While there have been cost reductions, they have so far been done without major service reductions. City offices remain open 40-plus hours a week. The City of Novi Public Library is open a robust 62 hours a week. And police/fire average response times are down. One cannot separate the fact that the Novi formula of engagement; leveraging our strengths; communicating our story; supporting our staff with training, tools and technology; and making investments in the future are related to positive results. Success has not been given, but earned. Attracting the largest population gain in Oakland County, attracting the Japanese School of Detroit to work with the Novi schools, maintaining the property tax millage, holding our own for taxable value, etc.—all these things speak to the focused every day efforts of both the City Council and the City staff.

And yet it must be noted that by maintaining a constant total 10.5416 City property tax millage rate, we have taken in less money from property taxpayers, which in turn has resulted in a significant reduction in property tax bills. Below are five actual property tax amounts for residences scattered throughout Novi.

**Sample Property Tax Bills Five-Year History and Change from Previous
City of Novi, Michigan**

	Maple Hills			Saratoga Circle			Is. Lakes N. Bay		
2007	\$2,905			\$5,242			\$10,592		
2008	\$2,906	0.0%	\$0	\$5,011	-4.4%	-\$231	\$9,815	-7.3%	-\$777
2009	\$2,410	-17.1%	-\$496	\$4,401	-12.2%	-\$610	\$9,691	-1.3%	-\$124
2010	\$2,205	-8.5%	-\$204	\$3,832	-12.9%	-\$569	\$7,649	-21.1%	-\$2,043
EST 2011	\$1,600	-27.4%	-\$605	\$3,818	-0.4%	-\$13	\$7,355	-3.8%	-\$294
Five-year Difference 2011 to 2007		-44.9%	-\$1,305		-27.2%	-\$1,424		-30.6%	-\$3,237
	Dunbarton Pines			Addington			Bellagio		
2007	\$4,061			\$9,446			\$23,569		
2008	\$4,122	1.5%	\$61	\$8,378	-11.3%	-\$1,068	\$23,922	1.5%	\$353
2009	\$4,069	-1.3%	-\$53	\$8,234	-1.7%	-\$144	\$18,036	-24.6%	-\$5,886
2010	\$3,748	-7.9%	-\$322	\$7,627	-7.4%	-\$607	\$16,713	-7.3%	-\$1,322
EST 2011	\$3,653	-2.5%	-\$95	\$7,172	-6.0%	-\$455	\$16,998	1.7%	\$284
Five-year Difference 2011 to 2007		-10.0%	-\$408		-24.1%	-\$2,274		-27.9%	-\$6,571
	Applegate II								
2007	\$2,621								
2008	\$2,519	-3.9%	-\$103						
2009	\$2,367	-6.0%	-\$151						
2010	\$1,100	-53.5%	-\$1,268						
EST 2011	\$1,098	-0.2%	-\$2						
Five-year Difference 2011 to 2007		-58.1%	-\$1,523						

So, the question that the City and the schools have to answer now and in succeeding years is **HOW** do we continue to provide that high level of service at reduced revenue levels? And **CAN** we?

FY 2010/11 General Fund Revenue & Operating Expenditures Equalized; Steady Fund Balance for FY 2011/12

Our focus on maintaining the long-term fiscal health of the City of Novi is achieved each operating year with discipline on operating revenues and expenditures. The results are driven by the high-caliber people in our City organization who make the day-to-day decisions on scheduling staff, ordering supplies, writing road bid specifications, and recommending rules and procedures. This hard work pays off. With the estimates for FY 2010/11, **we are projecting that General Fund annual revenue/means of financing will be \$29.7 million, slightly higher than the \$28.9 million in annual expenditures** (including capital and one-time expenses).

Reflecting upon the conservative nature of our estimates and the abilities of our City staff, **actual revenues for FY 2010/11 are estimated at \$2.0 million more than budgeted**. Property tax revenue and penalties are anticipated to be \$370,000 more than budget, in part because of several large tax payments that were made late and penalties that were imposed (\$150,000 greater than budgeted). Approximately, \$690,000 is generated from building and permit fees higher than budgeted (the City Council already approved one mid-year budget amendment recognizing some of that increase). Much of the added revenue is from "one time" sources: \$275,000 from Federal energy grants which was set off by a corresponding higher expenditure. The City also realized \$415,000 in site restoration bond and street lighting SAD revenue thanks to our Finance and Treasury staff working through years of record-keeping and properly closing out those accounts.

Some use of fund balance, while maintaining a balance within the newly established range, is again appropriate and planned in FY 2011/12. That use is detailed and described under the Rainy Day Funds tab and in the Fiscal Analysis appendix. Use of fund balance for FY 2011/12 is planned to bring the reserves into the City Council policy direction of a target balance of 18% to 22% of expenditures. Note, too, that this use reflects the City Council's determination, as part of multi-year budget planning, to set aside \$1.408 million in FY 2010/11 as allocation to designated fund balance for budget stabilization in FY 2011/12.

FY 2011/12 Revenues and Expenditures Overview

A quintuple whammy continues to force difficult decisions and actions: declining taxable values, shrinking interest earnings, disappearing Statutory State Shared revenue, fewer building permits, and increasing healthcare/pension costs. Three of these factors affect nearly all of our funds. In other words, the Municipal Street and Parks, Recreation and Cultural Services funds have less property tax revenue just like the General Fund. Near-zero interest rates pinch all

the funds. The building permits and Statutory State Shared Revenue declines are unique to the General Fund.

Overall revenues are budgeted at \$70.8 million and expenditures at \$78.1 million. That compares to \$77.8 million revenue and \$83 million expenditures estimated for FY 2010/11. For the governmental funds, FY 2011/12 revenues are budgeted at \$48.7 million and expenditures at \$54.7 million compared to \$54.4 million and \$59.8 million respectively estimated for FY 2010/11.

On March 21, Governor Snyder released his vision of local government reform. It describes his long-term recommendations for changes to some of the laws governing the merger of local governments and the sharing of services between them, to binding arbitration rules, and to public employee pension oversight. The effects of these changes, if implemented, will certainly affect future considerations for Novi.

In the short term, Snyder's vision eliminates Statutory State Shared Revenue for all communities, but extends the possibility of getting some amount back provided the community demonstrates positive action on three fronts: transparency, consolidation/sharing services, and employee compensation cost containment.

The City of Novi has long prided itself on serving its citizenry with open, inclusive, and transparent government. In 2006, 2008, and 2010, statistically valid National Citizen Surveys were conducted to gauge citizen perception of the Novi community. In addition to the areas of character, public safety, parks and recreation, the survey polls the opinion on public trust. Novi rated "above" or "much above" the national benchmark in all four categories, including being welcoming of citizen involvement and the overall direction Novi is taking. One such reason may be the City's dynamic information hub, *cityofnovi.org*. Novi citizens have the opportunity to view *cityofnovi.org* at any time to view the current, and past City Council Agenda (complete with supporting documentation), watch Novi Television programming, check out the itemized City check warrant, or browse the Fiscal Fitness publication. New to the website (June 2011) will be a "Transparency" icon which will take visitors to all the items mentioned above, the annual budget, and a dashboard (another call from Governor Snyder).

The Governor's plan is being developed when it comes to consolidation or sharing of services—and, of course, Novi like every other community is somewhat hampered by existing rules as far as extensive or far-reaching agreements with other communities are concerned. Nonetheless, we have in the past several years identified opportunities for sharing services with our neighbors where we can, and we will continue to do so. In the just this past year for example the City entered into an agreement with the City of Farmington Hills to utilize their City team to provide construction staking and inspections for Novi's 2010 Pathway Gap Construction Project at a savings of approximately \$6,000. Novi also entered an agreement to provide building plan review and inspection services for the City of South Lyon for up to two years. Under the arrangement, South

Lyon will compensate Novi with 75% of all review, permit, and inspection fees for construction projects. It is anticipated this will generate approximately \$20,000 annually for Novi and save South Lyon a substantial sum in employment costs. And, in the fall of 2011, Novi Community Schools will join with the Novi Public Library and consolidate into the City's *Engage!* publication, creating one comprehensive education, recreation, events, and services guide. Add to this the extensive reorganization of departments, reassignment of responsibilities, and reduction in the number of employees that has occurred just in the last few years, Novi meets the letter and spirit of what the Governor has called for us to achieve.

As for employee cost containment, the City embarked on that effort some time ago as well, particularly with regard to conversion to defined contribution plans for new hires, conversion to retiree health savings (vs. retiree health care coverage) and increased employee contributions to health care.

Summary of Full-time Employee Staff & Benefits by Group			
Employee Group	Number of employees	Employee Health Care Contribution %	Defined Contribution (DC) and Retiree Health Savings (RHS) or other changes in plans for New Hires (effective date)
Police Command	12	10%	N/A; Promoted through the ranks
Police Officers	47	2.5% (in arbitration)	In Arbitration
General Services (MAPE)	61	7.5% (in negotiations)	DC & RHS done for new hires as of 12/06**
Police Clerks/Dispatchers	18	2.5% (in arbitration)	In Arbitration
Part-time Fire*	71	N/A	N/A
Full-time Fire	27	10%	DC & RHS done for new hires as of 6/09***
Administrative	54	10%	DC & RHS done for new hires as of 5/06**
Library	18	10%	DC done for new hires as of 7/07**
* Does not receive health care or pension benefits			
8% City Contribution *10% City Contribution			

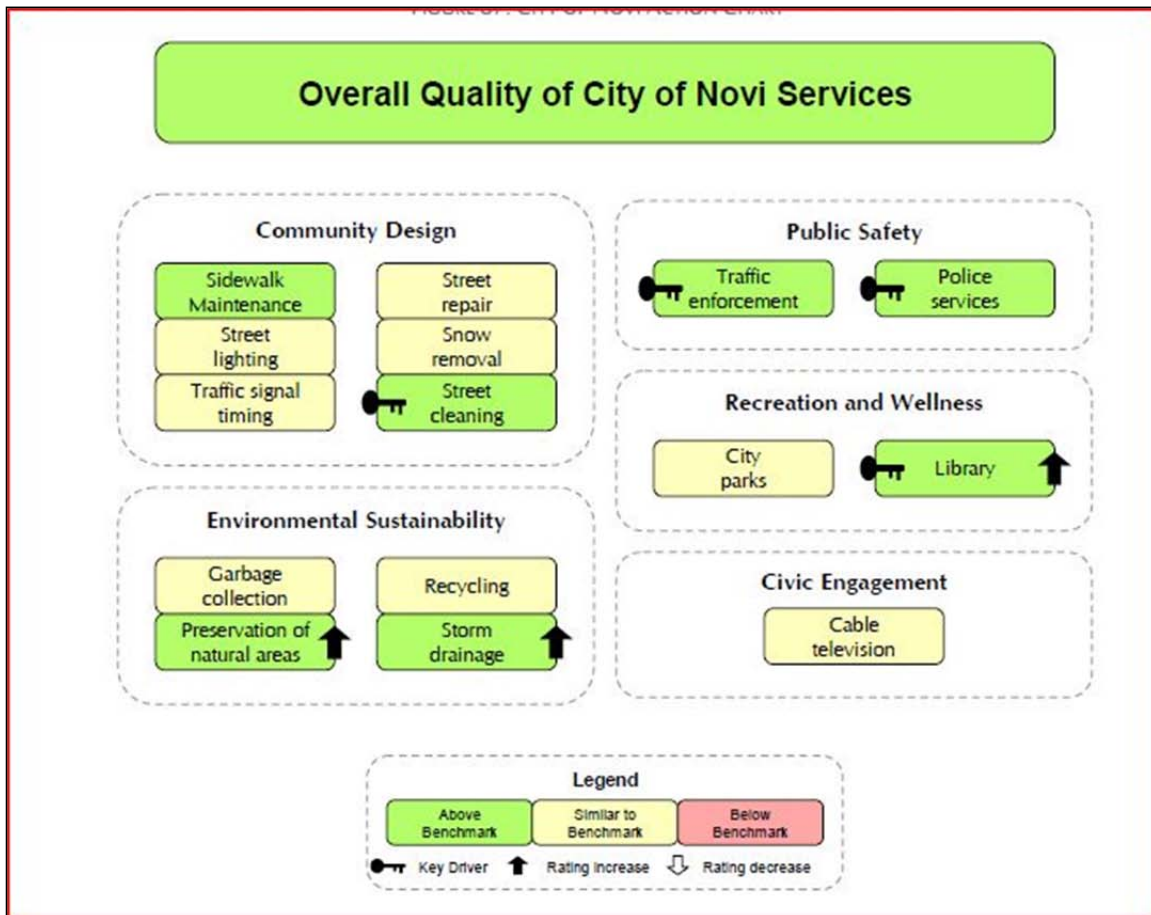
Benefits are only a part of the total compensation the City pays its employees; the City has concentrated on trimming both annual benefit costs and long-term obligations (see program strategy section on OPEB). To achieve significant expenditure reductions in personnel costs, we have reduced another 15 General Fund full-time positions (17 for all funds) over just the last twelve months, between the recommended budget for FY 2011/12 and the prior year. Over just the last full two-year period there have been 32 General Fund positions eliminated

through layoffs, attrition, and reorganization. We continue to be proactive in making changes and organizing to create our own destiny. For FY 2011/12, two police officer positions will be eliminated as planned through attrition.

All of these changes have been significant, but required. We continue to ask a lot of our City employees and they continue to deliver great results. The number of full-time positions in this budget represents a core group that is sustainable for at least the next two years given the known factors and assumptions. Looking ahead, we will work to further reduce operating/personnel costs.

Conclusion

The financial constraints we now face—which have become systemic and long-term—have forced us to sharpen our focus and concentrate on doing well those things we are charged to do. Looking again at the 2010 National Citizen Survey report as a useful tool, it contains an Overall Quality of City of Novi Services illustration grouping together those items under our City responsibility:

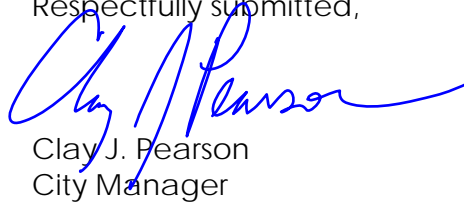


Two points are evident: First, the City of Novi is doing demonstrably well in providing its mix of services. Our top-flight staff engages with the community to provide positive results. True, Novi is in a special place with unique attributes, but

there are places that have similar attributes and larger tax bases that are not weathering these storms as well. And second, there are discernible basic items that matter to people in creating their positive perceptions of Novi: Underappreciated things, like street cleaning. Safety priorities, like traffic enforcement and police services. Quality of life and education items, like the City's Novi Public Library. These are the things that matter to our businesses and residents. Serving such a wide variety of things will require a broad focus — but not so broad that it can't continue to be sharp and clear.

This budget reflects a concentration on the "place-making" functions (to again use Governor Snyder's term) that we as a City have identified over the years as key to our unique success in this area. We have met, for this document and this year, the Council's millage and fund balance directives. And we've shown in the process that we meet the letter and spirit of the "best practices" for municipalities that Novi (and other communities) will be expected to demonstrate in coming years. It is, in other words, a document that meets *today's* challenges, and acknowledges tomorrow's.

Respectfully submitted,



Clay J. Pearson
City Manager

Looking Ahead

Beyond the next two years: Options and Analysis

The FY 2011/12 budget is recommended for approval. The longer-term fiscal health of the City of Novi remains the long-term task. The Fiscal Analysis has been a good tool for our fiscal planning and has allowed us to identify and take advantage of new information to spot trends and adjust plans to realize benefits from changed circumstances. Our wide-angle focus lets us see out far on the horizon and gives us a sense of what could come. While sharp and clear, it's not 20/20 vision. It is rather a conservative, watchful approach.

The purpose of this Look Ahead is first to outline factors that will affect the future fiscal health of the City, and second to offer options for future discussions and analysis as the City Council is faced with making decisions about the future level and mix of services that the community wishes to maintain.

Factors that will likely change the Fiscal Analysis assumptions in coming years in a positive way:

1. Labor agreement cost savings. The City is in binding arbitration under Act 312 with the police officers' union (POLC) and the police dispatchers. While there are no guarantees, and each case is unique to the individual community situations, these kinds of arbitrations have been running favorably for achieving the needed cost reductions.
2. Census impact for Constitutional State Shared Revenue (and other revenues that are based upon population). The new census population for Novi is 55,224. One could presume that with the State's overall population decline and the City of Novi's increase, we should see an increase in *Constitutional* State Shared revenue, but that cannot be assured nor calculated at this point.
3. Economic growth and development prospects continue to show positive signs. Home values are stabilizing. In 2009, 99% of residential taxable values of the 17,164 residential parcels in the City decreased (with a negative statewide inflation factor). In 2011 that percentage of decreases was 79%. Existing commercial and industrial values continue to struggle, with about $\frac{3}{4}$ of the parcels experiencing decreased taxable values between 2011 and 2010.

As noted in the Fiscal Analysis assumptions, valuation of new construction/additions is conservatively assumed to be only \$25 million. Amounts in excess of that will obviously compound and assist future years. The 2010 taxable value from new construction/additions was approximately \$25 million, while during the recent boom times (2006 and earlier) we saw \$100 million in new/additions. Discussions and potential projects continue to take place. Actual development activity is strong particularly along the West Park Drive Light Industrial/OST corridor. New construction activity also has the short-

term impact on building permit fees revenue. We saw in FY 2010/11 how increased activity added \$1 million more than budgeted to revenue. Economic development efforts and obtaining quality economic development will continue to improve the City's actual fiscal situation.

4. The actual finish of revenues and expenditures for each fiscal year compared to estimates and budgets.

Even with these positive additions, a look ahead at revenue and spending trends reveals that the City Council needs to begin to talk seriously about where the City's existing revenue comes from and how it is directed. We have dedicated millages for the main categories of our municipal services. For the last decade, the total of those millages have maintained constant at 10.5416 mills. However, we have now arrived at the point, long-anticipated, where Headlee Amendment rollbacks to individual millages which occurred in 2004 and earlier are forcing down the millage rates for some of the key focus areas of the City—general services, public safety, parks and recreation, library, and roads. Many communities have already reached this point and have elected to approach the voters with questions to allow for restoring millage capacity.

The City's leadership (elected and appointed) has a two-part task to accomplish over the next year: Review the trends and outcomes of the factors above and other changes and then gauge the public interest in packaging a question to the voters on the millage restoration question. There is plenty of time for this discussion. For an August 2012 consideration, ballot language would be needed by May 2012, a schedule that allows goal-setting and other preparations in the meantime.

A new dedicated millage could also be introduced — still within the 10.5416 total — but dedicated toward the City's sidewalks and pathways work. Such a millage would provide a dedicated funding stream for actually implementing the work of the Pathways and Sidewalk Prioritization Committee and the Non-motorized Pathways Master Plan that was adopted on February 28, 2011.

CITY OF NOVI
TAXABLE VALUE, MILLAGE RATE AND PROPERTY TAX REVENUE SCENARIO -- For Illustration Only

Property Tax Year Fiscal Year	PROJECTED				FORECAST	
	2012 FY 2012-13		2013 FY 2013-14		2014 FY 2014-15	
	Base	Rebalanced	Base	Rebalanced	Base	Rebalanced
Taxable Value	\$ 2,909,260,000		\$ 2,916,800,000		\$ 2,941,800,000	
Less various allowances	(75,000,000)		(65,000,000)		(50,000,000)	
Adjusted Taxable Value*	\$ 2,834,260,000		\$ 2,851,800,000		\$ 2,891,800,000	
Millage Rate	Base	Rebalanced	Base	Rebalanced	Base	Rebalanced
General Fund	5.0182	5.1000	5.0182	5.2270	5.0182	5.2430
Municipal Street Fund	0.7719	1.0000	0.7719	1.0000	0.7719	1.0000
Police and Fire Fund	1.4282	1.6000	1.4282	1.8000	1.4282	1.8000
Parks and Recreation Fund	0.3857	0.5000	0.3857	0.5000	0.3857	0.5000
Drain Revenue Fund	0.6639	0.0000	0.7719	0.0000	0.7719	0.0000
Library Fund	0.7719	0.8398	0.7719	1.0000	0.7719	1.0000
Total Operating Millage	9.0398	9.0398	9.1478	9.5270	9.1478	9.5430
Library Construction Debt Fund	0.3328	0.3328	0.3947	0.3947	0.3832	0.3832
2010 Refunding Debt Fund	0.3751	0.3751	0.3571	0.3571	0.3558	0.3558
2003 Refunding Debt Fund	0.3538	0.3538	0.0000	0.0000	0.0000	0.0000
2002 Street & Refunding Debt	0.4401	0.4401	0.2628	0.2628	0.2596	0.2596
Total Debt Millage	1.5018	1.5018	1.0146	1.0146	0.9986	0.9986
Total City Millage Rate	10.5416	10.5416	10.1624	10.5416	10.1464	10.5416 Constant

Taxes							Debt Expiration Date
General Fund	\$ 14,223,000	\$ 14,455,000	\$ 14,311,000	\$ 14,906,000	\$ 14,512,000	\$ 15,162,000	
Municipal Street Fund	2,188,000	2,834,000	2,201,000	2,852,000	2,232,000	2,892,000	
Police and Fire Fund	4,048,000	4,535,000	4,073,000	5,133,000	4,130,000	5,205,000	
Parks and Recreation Fund	1,093,000	1,417,000	1,100,000	1,426,000	1,115,000	1,446,000	
Drain Revenue Fund	1,882,000	-	2,201,000	-	2,232,000	-	
Library Fund	2,147,000	2,380,000	2,138,000	2,852,000	2,157,000	2,892,000	
Library Construction Debt Fund	943,250	943,250	1,125,650	1,125,650	1,108,150	1,108,150	2027-28
2010 Refunding Debt Fund	1,063,040	1,063,040	1,018,290	1,018,290	1,028,940	1,028,940	2015-16
2003 Refunding Debt Fund	1,002,810	1,002,810	-	-	-	-	2012-13
2002 Street & Refunding Debt	1,247,390	1,247,390	749,365	749,365	750,710	750,710	2017-18
	\$ 29,837,490	\$ 29,877,490	\$ 28,917,305	\$ 30,062,305	\$ 29,265,800	\$ 30,484,800	

% Change in base tax revenue from the prior year: -2.4% (2012-13 vs 2011-12), -3.1% (2013-14 vs 2012-13), 1.2% (2014-15 vs 2013-14)

Revenue generated by 1.0 mil: \$ 2,834,000 (2012-13), \$ 2,852,000 (2013-14), \$ 2,892,000 (2014-15)

Operating Millages (excluding Drain Fund)	City Charter	2011 Headlee Max	Available for Headlee
General Fund	6.5000	5.0182	1.4818
Library	1.0000	0.7719	0.2281
Municipal Street Fund	1.0000	0.7719	0.2281
Parks and Recreation	0.5000	0.3857	0.1143
Police & Fire Fund	1.8000	1.4282	0.3718

*Assumes no Headlee Reduction Factor. Includes reduction of Personal Property Tax (and write-off of old A/R for PPT) & Tax Tribunals Adjustments.

NOTE: The projected taxable values have been revised per the Assessor's 11/27/10 memo/data and March 2011 update.

Millage realignments are not the only choice, and they are not in lieu of the need for further cost cutting, consolidations, and contracting. The overall size of City of Novi government has shrunk as our property tax revenues have fallen. Even with future planned growth, we are planning to be about \$27 million in ordinary General Fund expenditures for the foreseeable future. The other

property tax-supported funds — the Library, roads, public safety, and parks/recreation — have all likewise been shrinking.

If the economic environment worsens, or if the four factors outlined above do not change in the City's favor, or if there are other negatives affecting the City, broader staff reductions may well happen, even as we try to keep the service reductions as low as possible. Benefit and wage reductions only go so far and limit our options for retaining and attracting the people we rely upon to get work done.

City leadership has always been straightforward and analytical in terms of entertaining options that run the course from obvious to inventive to uncomfortable or even painful. There is an argument to be made that the point has been reached that, without some added revenue, we need to start looking at real cuts to areas of the City that have been relatively untouched so far.

Public safety, for instance, currently accounts for 61% of the General Fund budget. In the longer term, more focus may be needed on such a large part of the budget. For illustrative purposes only, there are three apparent reorganization and restructuring options. The most significant would be to contract with the Oakland County Sheriff's Office for police patrol and investigative services. Oakland County provides contracted police services to 12 communities, including Rochester Hills which is very similar to Novi in population and area. Another would be moving towards a paid-on-call system for firefighting such as is provided by the Brighton Area Fire Department. Finally, the City could contract with Oakland County for dispatch services (perhaps \$400,000/year in savings).

These are not being recommended. But they do represent the kinds of things we will be talking about soon if revenue trends continue. Certainly, without revenue increases, the number of police officers may soon need to fall below the 62 sworn positions in this FY 2011/12 Budget. If we had to cut another \$1 million of General Fund costs in the next budget, just for example, it would mean eliminating five police officers (@ \$128,660 with wages and benefits), three administrative positions (@ \$79,700 with wages and benefits) and two general service workers from field operations (@ \$72,390 with wages and benefits). Such a scenario is not recommended nor advised. What is advised is that we elevate the discussion about service levels and the mix of services we provide, work with community groups to gauge interest, and decide whether services can continue as they have on the strength of cost cuts and containment or whether the revenue side of the equation needs to change.