



**CITY OF NOVI CITY COUNCIL
FEBRUARY 22, 2021**

SUBJECT: Approval of a resolution to authorize Budget Amendment #2021-5.

SUBMITTING DEPARTMENT: Finance

BACKGROUND INFORMATION:

General Fund

The COVID-19 pandemic has had a significant impact on the State of Michigan and the City of Novi as of March 2020 and continues to date. In May 2020, during the fiscal year 2021's budget process, the City took a conservative approach to budgeting state-shared revenues given the uncertainty at the State and Local levels. The State of Michigan released updated state-shared revenue numbers as listed below:

	January 22, 2021 Estimates	2021 Budget	Budget Amendment
Constitutional	\$ 5,000,420	\$ 4,471,243	\$ 529,177
Satutory	195,257		195,257
	<u>\$ 5,195,677</u>	<u>\$ 4,471,243</u>	<u>\$ 724,434</u>

The estimated annual state-shared revenue is \$724,434 greater than the current amended budget. In addition, the estimate above is based on the 2010 census with a population of 55,224. SEMCOG (Southeast Michigan Council of Governments) predicts Novi's population to increase to approximately 64,000 for the census year 2020, which calculates to be an additional \$750,000 based on the new population. The State estimates have proven reliable to date, so staff is recommending increasing the revenue budget by a total of \$1,474,435 that includes the census adjustment to be received in June 2021.

Furthermore, the original budget included a 1% reduction in all departments' expenditure budgets based on the assumption the City would be losing significant revenue. Most of the departments were able to reduce their operating budgets to account for the 1% reduction, but a few of the larger departments (to date) have not identified savings in other expenditure accounts to offset this reduction. The proposed

budget amendment uses some of the additional state-shared revenue identified above to offset the remaining balance of approximately \$226,000.

The Department of Public Works (DPW) also needs to lower the allocation (a contra-expense) budget to other funds by \$400,000. COVID-19 has limited the amount of work DPW has done on roads and drains, which significantly decreases the amount of labor and equipment expenses allocated from the General Fund to the Major Streets, Local Streets, Municipal Street, and Drain funds. This winter, thus far, has been mild, limiting the amount of time dedicated towards roads.

The proposed amendment increases the Economic Development department's expenditure budget, as well, for the projected costs associated with the hiring of a new director in February 2021 through year-end.

Major and Local Street Funds

Similar to the State-Shared Revenue discussed in the General Fund, the City took a conservative approach to budget Act 51 revenues (City's share of the gasoline taxes collected) during the fiscal year 2021 budget process in May 2020. There was much uncertainty at the State and Local levels regarding the Stay-at-Home order and what impact that it may have on gas usage and, therefore, revenues to the locals. The City is now halfway through the budget year, and revenues are exceeding the original budget. Per the latest revenue projection worksheet provided by MDOT, the City is expected to receive an additional \$1.25 million of revenue for Major and Local Street Funds. In addition, similar to state-shared revenue, Act 51 has a population factor to the allocation calculation. The census adjustment related to Act 51 is estimated to provide another \$672,000 for the road funds in fiscal year 2021.

Library Fund

The Library Board met on January 28, 2021, and approved an amendment to their fiscal year 2020/2021 budget along with a budget for their 2021/2022 upcoming fiscal year. The proposed amendment incorporates the changes passed by the Library Board for the current fiscal year (the library's 2021/2022 budget will be part of the City's annual budget document).

RECOMMENDED ACTION: Approval of a resolution to authorize Budget Amendment #2021-5.

RESOLUTION

NOW, THEREFORE BE IT RESOLVED that the following
Budget Amendment# 2021-5 is authorized:

	INCREASE (DECREASE)
GENERAL FUND	
REVENUES	
Licenses, Permits, and Charges for Services	\$ (10,934)
State Sources	1,474,434
Other Revenue	(13,500)
TOTAL REVENUES	\$ 1,450,000
APPROPRIATIONS	
Integrated Solutions - Information Technology	
Other Services and Charges	4,574
City Clerk	
Other Services and Charges	9,749
Economic Development	
Personnel Services	24,041
Police Department	
Other Services and Charges	138,788
Fire Department	
Other Services and Charges	62,544
Department of Public Works - Administration	
Other Services and Charges	3,171
Department of Public Works - Engineering	
Other Services and Charges	1,270
Department of Public Works - Field Operations	
Allocated to Other Funds	400,000
Department of Public Works - Fleet Asset	
Other Services and Charges	5,863
TOTAL APPROPRIATIONS	\$ 650,000
Net Increase (Decrease) to Fund Balance	\$ 800,000
Ending Fund Balance	\$11,527,983
Fund Balance as a % of total annual expenditures	30%
MAJOR STREET FUND	
REVENUES	
State Sources	1,201,000
TOTAL REVENUES	\$ 1,201,000
APPROPRIATIONS	
Transfers Out	643,000
TOTAL APPROPRIATIONS	\$ 643,000
Net Increase (Decrease) to Fund Balance	\$ 558,000
Ending Fund Balance	\$1,666,360
Fund Balance as a % of total annual expenditures	34%

**INCREASE
(DECREASE)**

LOCAL STREET FUND					
REVENUES					
State Sources	723,000				
Transfers In	(723,000)				
TOTAL REVENUES	\$ -				
Net Increase (Decrease) to Fund Balance	\$ -				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Ending Fund Balance</td> <td style="text-align: right;">\$1,086,983</td> </tr> <tr> <td>Fund Balance as a % of total annual expenditures</td> <td style="text-align: right;">10%</td> </tr> </table>		Ending Fund Balance	\$1,086,983	Fund Balance as a % of total annual expenditures	10%
Ending Fund Balance	\$1,086,983				
Fund Balance as a % of total annual expenditures	10%				

MUNICIPAL STREET FUND					
APPROPRIATIONS					
Transfers Out	(1,366,000)				
TOTAL APPROPRIATIONS	\$ (1,366,000)				
Net Increase (Decrease) to Fund Balance	\$ 1,366,000				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Ending Fund Balance</td> <td style="text-align: right;">\$2,421,101</td> </tr> <tr> <td>Fund Balance as a % of total annual expenditures</td> <td style="text-align: right;">29%</td> </tr> </table>		Ending Fund Balance	\$2,421,101	Fund Balance as a % of total annual expenditures	29%
Ending Fund Balance	\$2,421,101				
Fund Balance as a % of total annual expenditures	29%				

LIBRARY FUND	
REVENUES	
Property Tax Revenue	19,372
State Sources	13,000
Fines and Forfeitures	(10,633)
Donations	(5,000)
Other Revenue	(17,153)
TOTAL REVENUES	\$ (414)
APPROPRIATIONS	
Personnel Services	(12,700)
Supplies	(21,400)
Other Services and Charges	32,781
Capital Outlay	(53,000)
TOTAL APPROPRIATIONS	\$ (54,319)
Net Increase (Decrease) to Fund Balance	\$ 53,905

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 February 22, 2021

Cortney Hanson
City Clerk

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
General Fund			
Revenues			
101-000.00-475.500	Wet, wood, landscape insp/review	Licenses, permits & charges for services	\$ (10,934)
101-000.00-574.000	State revenue sharing	State sources	724,434
101-000.00-574.000	State revenue sharing - census adjustment	State sources	750,000
101-000.00-653.295	Novi Youth Council	Other revenue	(9,500)
101-000.00-665.350	State of the City revenue	Other revenue	(4,000)
			<u>\$ 1,450,000</u>
Expenditures			
101-205.00-838.000	Covid-1% reduction	Other services and charges	\$ 4,574
101-215.00-838.000	Covid-1% reduction	Other services and charges	9,749
101-296.00-704.000	Permanent salaries	Personnel	24,041
101-301.00-838.000	Covid-1% reduction	Other services and charges	138,788
101-337.00-838.000	Covid-1% reduction	Other services and charges	62,544
101-442.00-838.000	Covid-1% reduction	Other services and charges	3,171
101-442.10-838.000	Covid-1% reduction	Other services and charges	1,270
101-442.20-997.100	Allocated to other funds	Allocated to other funds	400,000
101-442.30-838.000	Covid-1% reduction	Other services and charges	5,863
			<u>\$ 650,000</u>
		Net Increase (decrease) to fund balance	\$ 800,000

Ending Fund Balance	\$11,527,983
Fund Balance as a % of total annual expenditures	30%

Major Street Fund			
Revenues			
202-000.00-546.000	Gas and Weight Tax	State sources	697,000
202-000.00-546.000	Gas and Weight Tax - census adjustment	State sources	504,000
			<u>\$ 1,201,000</u>
Expenditures			
202-000.00-965.203	Transfer to Local Street Fund	Transfer Out	643,000
			<u>\$ 643,000</u>
		Net Increase (decrease) to fund balance	\$ 558,000

Ending Fund Balance	\$1,666,360
Fund Balance as a % of total annual expenditures	34%

Local Street Fund			
Revenues			
203-000.00-546.000	Gas and Weight Tax	State sources	555,000
203-000.00-546.000	Gas and Weight Tax - census adjustment	State sources	168,000
203-000.00-676.202	Transfer from Major Street	Transfers In	643,000
203-000.00-676.204	Transfer from Municipal Street	Transfers In	(1,366,000)
			<u>\$ -</u>
		Net Increase (decrease) to fund balance	\$ -

Ending Fund Balance	\$1,086,983
Fund Balance as a % of total annual expenditures	10%

Municipal Street Fund			
Expenditures			
204-000.00-965.203	Transfer to Local Street Fund	Transfer Out	(1,366,000)
			<u>\$ (1,366,000)</u>
		Net Increase (decrease) to fund balance	\$ 1,366,000

Ending Fund Balance	\$2,421,101
Fund Balance as a % of total annual expenditures	29%

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
Library Fund			
Revenues			
268-000.00-403.000	Tax Revenue - Current Levy	Property Tax Revenue	21,787
268-000.00-403.003	Tax Revenue - Brownfield 2008	Property Tax Revenue	(18)
268-000.00-403.006	Tax Revenue - Brownfield 2015	Property Tax Revenue	(1,571)
268-000.00-403.008	Tax Revenue - CIA Cap 2018	Property Tax Revenue	(826)
268-000.00-567.000	State Aid	State Sources	13,000
268-000.00-657.000	Library book fines	Fines and Forfeitures	(49,000)
268-000.00-658.000	State penal fines	Fines and Forfeitures	38,367
268-000.00-665.000	Miscellaneous income	Other Revenue	(12,800)
268-000.00-665.100	Copier	Other Revenue	400
268-000.00-665.289	Adult Programming	Donations	(2,000)
268-000.00-665.400	Gifts and donations	Donations	(3,000)
268-000.00-665.404	Novi Township Assessment	Other Revenue	247
268-000.00-665.650	Library Café	Other Revenue	(5,000)
			<u>\$ (414)</u>
Expenditures			
268-000.00-704.000	Permanent Salaries	Personnel Services	(16,000)
268-000.00-704.210	Vacation Payout	Personnel Services	(8,500)
268-000.00-704.250	Final Payout	Personnel Services	12,000
268-000.00-719.000	Unemployment Ins	Personnel Services	1,400
268-000.00-720.000	Workers' Comp	Personnel Services	(1,600)
268-000.00-727.000	Office supplies	Supplies	(6,000)
268-000.00-742.000	Library Books	Supplies	(14,800)
268-000.00-742.100	Book Fines	Supplies	(600)
268-000.00-802.000	Data Processing - OnBase	Other Services and charges	13
268-000.00-806.000	Legal Fees	Other Services and charges	1,500
268-000.00-808.100	Rubbish Monthly	Other Services and charges	(200)
268-000.00-816.000	Professional services	Other Services and charges	(5,000)
268-000.00-817.000	Custodial Services	Other Services and charges	43,000
268-000.00-851.000	Telephone	Other Services and charges	8,500
268-000.00-861.000	Gasoline and oil	Other Services and charges	(1,000)
268-000.00-862.000	Mileage	Other Services and charges	(200)
268-000.00-880.000	Community Promotion	Other Services and charges	6,000
268-000.00-880.268	Library Programming	Other Services and charges	(10,000)
268-000.00-880.271	Adult Programming	Other Services and charges	(8,000)
268-000.00-910.000	Property & Liability Insurance	Other Services and charges	168
268-000.00-921.000	Heat	Other Services and charges	1,000
268-000.00-922.000	Electricity	Other Services and charges	(2,000)
268-000.00-942.100	Records storage	Other Services and charges	(1,000)
268-000.00-986.000	Internal Tech - Capital Outlay AST	Capital Outlay	(32,000)
268-000.00-986.000	Camera/Computer replacement	Capital Outlay	(21,000)
			<u>\$ (54,319)</u>
Net Increase (decrease) to fund balance			\$ 53,905