

City of Novi, Michigan

FISCAL YEAR 2006/07 BUDGET MESSAGE



March 31, 2006

Dear Mayor Landry and City Council Members:

Pursuant to City Charter, it is the City Manager's charge to present to City Council the proposed Fiscal Year 2006/07 Budget for the City of Novi. In practice though, this document is much more than just a statement of expected revenues and expenditures. It is the framework for establishing and accomplishing the City's priorities for the upcoming year. Our ultimate goal is to determine how best to continue the steady forward progress of the entire Novi community which has been our hallmark. At the end of the day, we, as a City, are judged by how well and how efficiently we provide not just any services, but the right services in the right way.

The budget before you is the product of the diligent efforts of staff throughout the organization, who are charged with identifying what needs must be addressed and which available opportunities to seek in the upcoming year. As in past years, this administrative process has resulted in a budget that is balanced both legally (expenditures do not exceed anticipated revenue and prior years' savings) and practically (providing appropriate City services to both our residents and our corporate citizens). The budget emphasizes public safety, quality development, effective codes enforcement, maintenance of recreational and civic facilities, infrastructure improvements and an active partnership with the business community. I trust that the City Council will find this proposed budget to be presented in the cooperative, forward-thinking spirit that has infused the City Council's meetings to date this year.

The format of this letter is to present an interpretation of the strengths to build upon that the City Council and the community have expressed in the past (The Virtuous Circle), then move into an overview of the means at the disposal of your City government (2006/07 Budget Overview), and closes with the specific new items proposed to enhance our strengths (2006/07 Budget Highlights and Priorities).

The Virtuous Circle

We in Novi have much to be proud of—and thankful for. While there are unfortunately cases of other cities battling a vicious circle of poor schools, declining property values, and deteriorating public services, we in Novi are blessed with excellent schools, rising

property values, and solid public services. This is not mere accident or purely good fortune; it is the result of sustained effort by our current leaders and their predecessors to ensure that sound policies and decision-making lead in turn to further opportunities to improve our circumstances even further. This is our virtuous circle and it requires our responsibility to keep it moving forward.

Residents and businesses alike come here, grow here, and stay here because of a host of “reinforcing” factors in the circle. A high-tech research/office like leadership team such as Trinity Health, Miracle Software, or Incat knows they have access here in Novi to a qualified work force that values education. They know Novi offers their employees a location to lunch or shop. It knows that its employees and customers can travel conveniently to or from Detroit Metro Airport, and that there’s an excellent meeting facility available at the Rock Financial Showplace and quality hotels for their guests.

People come to Novi for its highly-regarded schools, its safe and well-maintained neighborhoods, and easy access to large variety of entertainment, retail, and culture. These are the virtues that we as public officials and employees are responsible to recognize, foster, and reinforce to maintain and grow the quality and of life which is a way of life.

Some of the specific parts of our “virtuous circle” to support are:

- High-quality education. Novi youth attend Novi, Walled Lake, South Lyon, or Northville schools. All are premier public school systems in the State reflected in standardized testing, blue ribbons, parent participation, and robotics building. August 5, 2005, was the first day of classes for Detroit Novi Catholic Central High School, a premiere college preparatory school now permanently located in Novi in a beautiful natural setting. We host Walsh College and have easy access to Wayne State University, the University of Michigan, Michigan State University, Schoolcraft College, and more. In Fall 2005, we celebrated the achievement of a City Council initiative -- establishment of a Novi Youth Council and the assignment of our youths as liaisons to several City advisory boards and commissions. Our budget continues to provide the direct and indirect support necessary to maintain these beneficial relationships. There is also decision-making on the horizon for how to best apply grants and fundraising towards improving a City educational facility – our public library.
- Great location with sound infrastructure. We are a location of choice at the convergence of M-5, I-275 (183,000 average daily traffic (ADT) -- 32% more than I-75 in Troy), and I-96 (153,000 ADT), feeding into a County and City road network we maintain and improve. The single-point urban interchange at Beck Road and I-96 opened to traffic on October 24, 2005 after two years of construction. It is already an indispensable gateway to our neighborhoods, Providence Park Hospital, and the Twelve Mile office/retail corridor. The City of Novi’s water and sanitary sewer pipe and equipment capacity will meet development needs for the future and has options to provide treatment service at build-out in the next decade. As part of a growing metropolitan area, we have a vast energy and telecommunications infrastructure network equipped to meet

demand. Major scheduled capital improvements to improve our roads and utilities are detailed later in this proposed budget. This budget provides the necessary equipment to get the job done safely and efficiently with several recommendations for overdue fleet management purchases.

- Excellent Public Safety. Our streets and neighborhoods are quiet and friendly. In the midst of growing population and visitor traffic, in 2005 we had a 5.4% decrease in “Part A” serious crimes. We also had a 14.4% decrease in Part B crimes (property and other crimes), for a total decrease of 19.8% during this same period. In this budget, we propose continued support of our front-line police and fire services as well as neighborhood services/code enforcement and public works, both of which have important roles in public safety maintenance. New proposals are detailed further for emergency management and preparedness.
- Powerful Retail Magnet. To some casual observers, Novi is known simply as a big retail center. We have 143 restaurants, bistros, and coffee shops registered as businesses in Novi. The upcoming expansion of Twelve Oaks Mall with the new Nordstrom’s store (opening Fall 2007), the conversion of Marshall Field’s to an expanded Macy’s store, and the addition of a new retail wing with upwards of 90 stores is substantial in scope and impact. Coupled with the redevelopment at Fountain Walk Mall, the continued high occupancy rates at West Oaks and West Oaks II, and the addition of the new Brooktown development, the retail environment is competitive and positive.
- Dynamic High-tech and Office opportunities. There have been several reports about the build-out of our “research and development” types of land uses. Such uses are typically part of the Office, Service and Technology (OST) zoning district. Heading into 2006, approximately 61% of the OST-planned land is available for development or redevelopment from residential uses. Of special note is the considerable Providence Park Hospital development. Apart from the hospital expansion itself, there are several large complex medical office buildings (a permitted use within OST) planned or in construction.

In Novi, Quality of Life is the Way of Life.
We host at least 35 firms in Novi which are based in Japan.

ノーヴァイ市は生活基準の高い街です。
少なくとも35社の日系企業がノーヴァイ市にオフィスをかまえています。

In Novi, Quality of Life is the Way of Life.
We host at least 14 firms in Novi which are based in Germany.

Die Lebensart in Novi ist bestimmt durch die Lebensqualität.
Mindestens 14 deutsche Firmen haben eine Niederlassung in Novi.

Office and research economic development should continue coordinating and capitalizing on the Providence Park Hospital economic development. Goal setting was initiated by the City Council first at a joint meeting with the Planning

Commission on January 23, 2006 and quickly followed with an item at the March 6, 2006 City Council meeting. The City Council discussed their economic development goals relevant to:

1. Improving the internal processes, reducing the time and variability in planning and building.
2. Retaining and encouraging growth in the community by really talking with the business owners, improving the processes in the existing ordinances, and listening to them and looking at what processes, ordinances there are that come up over and over, and examining those.
3. Attracting quality new development, and focusing on the OST District.
4. Working cooperatively with the partners.

The City has been a member of the Automation Alley consortium for several years. We are set to host our first event in Novi in May 2006, with Automation Alley -- teaming up with our neighbors in Farmington Hills and Farmington. We propose several new initiatives for quality economic development in this proposed budget.

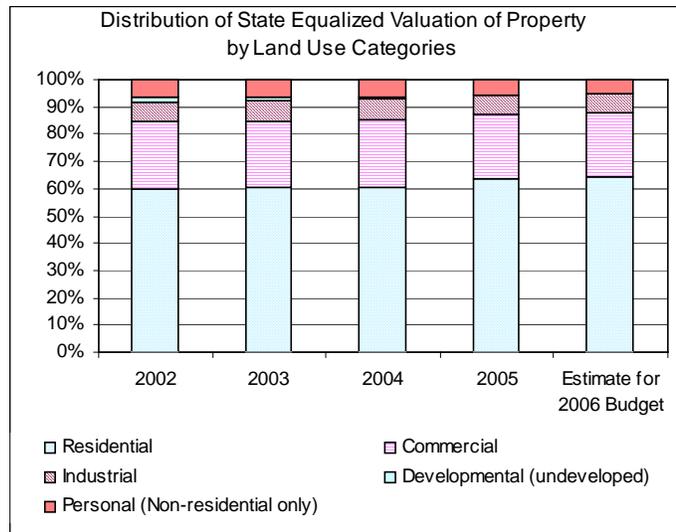
- Welcoming to residents of all ages and backgrounds. This budget document includes a community conditions statement describing our population profile by age. Novi's profile in particular is changing because of our desirability for investments like Fox Run Village. Built by Erickson Retirement community, Fox Run is home to as many people as some surrounding communities. At build-out within five years, Fox Run will have approximately 2,300 residents. Currently, there are close to 600 people living at Fox Run. . Novi residents of all ages utilize and enjoy our variety of City facilities. In this budget, we recommend that we address the modernization of our Civic Center, which still presents well, but needs maintenance to continue to uphold the standards we expect of others.
- Green community boasting parklands, wetlands and woodlands. Any well-located community can grow by paving. Novi has traditionally struck a balance with a woodlands ordinance requiring first preservation of existing features; second, replanting of woodland trees on site; and third, contributions for woodland trees to be planted elsewhere in the community. On business retention visits, we hear about how part of the location selection review that lead companies to Novi included the ability for employees to have a natural setting in the business park. Residents know development is happening and changing the landscape at a high rate but there are areas saved with each development. Replanting and landscaping will set Novi apart from its competitors. For our residents, interest in the growing Natural Features Expo in April indicates their interest in environmental efforts. Our Street Tree Replacement Program is in the midst of its largest effort ever to repopulate the urban forest in the wake of the Emerald Ash Borer. There are opportunities working with developers and grant programs to further set aside land to use for both natural areas and active recreation for future generations. We have been successful at such efforts and should consider such opportunities when they arise before they disappear. This

budget also includes recommendations to add resources for our environmental resources and also features Capital Improvements to the Parks system.

2006/07 Budget Overview

The purpose of this section is to provide an overview of the budget and explain the resources and overall expenditures. Novi has sufficient resources to maintain and be successful in the future.

The budget is balanced and financially conservative. Operating departments limit discretionary items and provide service improvement forms for specific review before inclusion in the budget. Revenue projections are realistic. For instance, state revenue sharing projections taken from the State of Michigan are again included in the proposed budget with a 2.5% reduction as added contingency for changes.



The budget is a means to achieve community goals, a task that starts with stewardship of public resources entrusted to us. On November 28, 2005, the City Council received a report from our auditors which emphasized a “clean opinion” on our annual financial statement. City government lived within its means – General Fund revenues last year were \$26.551 million and expenditures totaled \$24.480 million, adding \$2.071 million to fund balance (includes money designated for obligations carried from the previous fiscal year).

The discussion that follows is supplemented by the “Blue Book #2,” which is an additional resource providing a line-item budget, all service improvement requests submitted by our staff, vehicle information, and detail on capital improvement requests.

Revenue

The General Fund Budget for 2006/07 is proposed to have revenue of \$32,648,670, including an appropriation of fund balance of \$2,751,580 which still provides fund balance at the targeted level above 14%.

Our two main General Fund revenue sources are Property Tax (\$15.75 million) (excluding transfer from Police & Fire Millage) and State Shared Revenue (\$3.65 million). Together, they account for 64.9% of \$29.9 million of General Fund revenue for the year (excluding \$2.75 million appropriation of fund balance).

The total millage proposed is to remain steady at 10.5416, a rate which is below the maximum allowed by the City Charter. The Headlee Amendment rollback was not

necessary to be applied to our rates because property valuation is expected to be below the 3.3% inflation rate.

Five-Year Property Tax Millage Rates for Homestead Property					
(Per \$1,000 of Taxable Value)					
	2002	2003	2004	2005	2006 Proposed
City of Novi					
Operating	4.4551	4.4985	4.6422	4.6802	4.8051
Library	0.7791	0.7776	0.7719	0.7719	0.7719
Municipal Street	0.7791	0.7776	0.7719	0.7719	0.7719
Debt Service	2.0968	2.0600	2.0312	1.9932	1.8683
Parks & Recreation	0.3894	0.3886	0.3857	0.3857	0.3857
Drains	0.6005	0.6005	0.5105	0.5105	0.5105
Police & Fire	1.4416	1.4388	1.4282	1.4282	1.4282
City of Novi Total	10.5416	10.5416	10.5416	10.5416	10.5416

As described earlier, this valuation has been growing rapidly along with the Oakland County momentum. Growth continues in Novi in the face of restructuring and painful reductions in the larger metropolitan area and State of Michigan. Property valuation trend is an important retrospective indicator of economic health and has been the driver to allow the City to meet service demands.

Ten Year Taxable Value and State Equalized Valuation (SEV) History				
Tax Year	State Equalized Valuation	% Change	Taxable Value	% Change
1997	\$1,712,728,050	8.1%	\$1,645,742,560	6.9%
1998	\$1,922,625,050	12.3%	\$1,797,180,635	9.2%
1999	\$2,274,361,800	18.3%	\$1,940,166,590	8.0%
2000	\$2,440,876,450	7.3%	\$2,095,003,220	8.0%
2001	\$2,677,663,040	9.7%	\$2,280,396,170	8.8%
2002	\$2,971,901,040	11.0%	\$2,510,281,740	10.1%
2003	\$3,196,088,910	7.5%	\$2,679,216,000	6.7%
2004	\$3,407,304,660	6.6%	\$2,900,646,354	8.3%
2005	\$3,580,551,380	5.1%	\$3,098,817,510	6.8%
2006 Estimated	\$3,830,671,000	7.0%	\$3,364,061,500	8.4%

Expenditures

Total City expenditures are budgeted at \$32,648,670 which is an increase of 20.4% from the previous budget year, which includes a number of non-recurring capital and transfer items.

Public Safety functions of Police and Fire continue to represent the greatest areas of program appropriation, accounting for 49.5% of the total general fund budget. Adding Building Department and Neighborhood Services codes enforcement, which arguably are also a main participant in maintaining public safety, raises the percentage to 56.6%.

Fund Balance and Keeping Fiscally Fit

The estimated General Fund unreserved/undesignated Fund Balance in this budget is above 14% of General Fund Expenditures, or \$5,282,782 of \$32,648,670 million in budgeted expenditures.

The following items which are included in the proposed budget will have a short-term impact on our operating budget but fulfill the larger purpose of paying for obligations as they are incurred and further enhance our financial position.

1. Retiree Health Care Costs -- The City Council on August 25, 2005 received a report from representatives of Plante and Moran, PLLC entitled "Retiree Benefits Liability and Reporting." Effective July 1, 2008, for Novi, the new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. This is a reporting requirement, not a funding requirement. Since 1993, the City has had a retiree health care fund and has been progressively putting money aside for health care benefits. As of the June 30, 2005 financial statement, the City of Novi has 42 retirees eligible and 36 retirees receiving benefits in accordance with labor contracts. In the current budget year, the City contributes approximately \$750,000 to the Retiree Health Care Fund based on a percentage of payroll for current employees. Retirees contribute 20% of their premiums.

As of June 30, 2004, when the last audit was completed, there was approximately \$4.0 million set aside for the Retiree Health Care Fund. The City specifically dedicated an additional \$268,000 payment in the FY 2005/2006 Budget beyond that already contributed. **For the 2006/07 budget, \$1,000,000 is proposed, a substantial commitment to meeting tomorrow's obligations. In addition, in this budget, we are for the first time dedicating 100% of the last actuarially recommended retiree health care contribution rate, a recognition totaling another approximately \$490,000 across departments as percentage of payroll.**

The last actuary report (updated 2002) estimated the accrued liability at \$18 million; which indicates the fund is approximately 15% funded. We have recommended 70% as an adequate funding target.

2. Recognition of Ice Arena Debt – Because of construction delays and other factors, the Ice Arena did not achieve the projected revenue goals in its first two years of operation (1999 and 2000). Now that the Ice Arena has a proven record of accomplishment of its ability to cover its operating costs, we recommend a one-time transfer in this budget to “forgive” the debt of \$694,000 from the Ice Arena that has been carried in the General Fund. We do not believe that in the future, the Arena would be able to charge ice rates or other revenue sufficient to repay this debt. There would be no extra enrichment of the Ice Arena operations, but simply recognizing reality. As the owner of the Ice Arena, the City will retain control if there were some surprise revenue in the future. Most importantly, following such a recommendation will actually mean long-term self-sufficiency by allowing the Ice Arena enterprise fund to have a chance of building earnings to pay for capital costs such as water heaters, compressors, and zambonis. Finally, the City would be cleaning-up its General Fund financial records to more accurately reflect the status of this receivable and not count an asset which will most likely never be repaid.
3. Reserve for Employee Agreements When Settled – Despite best efforts by all parties, the City has a labor agreement which expired June 30, 2005 with our Teamster Union (73 members). First negotiations with the Paid-on-Call Firefighters are ongoing. Agreements will expire with our Police Command Union (10 members) and Professional Firefighters Union (28 members) on June 30, 2006. Negotiations are ongoing and will be settled with agreement by both the parties.

Water and Sewer Funds

Our Water and Sanitary Sewer Operations as a self-sustaining enterprise fund of the City. For the prior fiscal year ending June 30, 2005, the water operation had operating revenues of \$12.89 million and expenditures (excluding depreciation) of \$12.4 million.

1. Water and Sewer trailer-mounted standby pump \$27,500

Library

The Novi Public Library is a resource with a governing board of directors appointed by the Mayor with the concurrence of the City Council. The operations of the library are largely independent but there are services (e.g. financial reporting, accounts payable, payroll and some joint purchasing) shared with the City operation for mutual cost sharing. Opportunities for cooperation and co-programming exist with the City, just as all public agencies serving citizens needs to review. The property tax levy for the Novi Public Library is established by the Novi City Council as part of our review of the overall City budget.

The existing library facility has met the needs of our growing community but the services and resources are limited due to the building's age and size. A unique opportunity exists with the generous contribution of \$1.0 million by the Walker Foundation and subsequent additional fundraising. The Library Board and staff are expected to come to

the City Council with a proposal and information addressing the facility and operational needs.

Drug Asset Forfeiture

Just as a special opportunity exists with the Walker Foundation for our Library, the City has substantial Federal Drug Asset Forfeiture Funds -- \$3.64 cash received with another \$3.00 million expected. There are restrictions on use of funds (e.g., must be expended within two years of receipt). The City committed in September 2005 for \$1.2 million to service debt for the police station construction and \$1.0 million set aside for construction of an addition to the Police Center. For the upcoming budget, it is recommended to replace 6 marked squad cars and 2 replacement unmarked police vehicles for \$184,564 in November 2006 when the purchasing cycle for such squad cars is present. Consideration should be given for remaining balance of funds once the Master Plan for the Police facility (authorized to proceed March 20, 2006) is received in June 2006.

2006/07 Budget Highlights and Priorities

The purpose of this section is to provide an overview of the areas we see adding resources to continue Novi being successful in the future.

Technology Applications for Efficiency and Service.

The City of Novi has a good record of successfully deploying new applications on-time and within budget. Building permit software upgrades to improve tracking and reporting of financial guarantees was approved and implemented in 2005. In 2006, software to assist the Parks, Recreation & Forestry Department with on-line room reservations and electronic registrations of programs became available.

1. Voice System for Building Permit Status and Scheduling - Allows contractors to call into permit system. \$65,000
2. ArcMap GIS 9.0 license compliance – The licenses will increase the efficiency of staff in making and printing maps for use by Planning Commission, City Council, applicants, and residents. \$7,500
3. PC replacement program re-initiation - The first phase of this program will target PC's put into service between 1998 and 2001. \$35,100
4. Router, patch panel, and wiring update at Police Station - The current hardware and wiring used does not allow sufficient power to run application demand. Upgrades are needed \$20,000

Neighborhood Road improvements and Sidewalk connections

The November 2000 voter-approved road bond has expanded our neighborhood road reconstruction. Between 2001 and 2005, more than \$9.3 million of proceeds from the road bonds and our annual Municipal Street Fund allocation went to improving

neighborhood streets. One of the most popular and sought-after programs, the neighborhood roads work is recommended to again be at the same funding level in 2006 thanks to savings from earlier year proceeds. In addition, there will be some level of a 2007 neighborhood roads program, and budget for that engineering design earlier in the year is necessary for completion in January 2007. This will allow us to be in the best position to take advantage of getting better prices when bidding construction and leave time to complete the work during the summer 2007. We also are recommending maintaining the priority of the City completing sidewalk connections where private development has left off. Completion of these recommended sidewalks will provide residents with some sidewalk connections at public schools located in Novi.

1. 2006 Construction – The 2006 neighborhood roads program provides \$1,500,000.
2. 2007 Program Engineering \$200,000.
3. Nine Mile Road sidewalk: Connections of gaps from Taft Road to Beck Road. \$100,000.
4. Ten Mile Road sidewalk: Connections between Taft Road and Beck Road. \$50,000.
5. Novi Road Gap sidewalk: Arena Drive to Ten Mile Road (east side). \$115,000
6. Meadowbrook Road sidewalk: Pathway segment from the south end of the bridge to the Village Oak Road/Penton Rise Court intersections (west side). \$100,000.

Performance Measurement and Enhancement, Staff Development and Support to Deliver Results

This area is perhaps one of the most important in that it seeks to make the best use of existing resources. A budget proposal naturally focuses on new programs and initiatives and not necessarily on all the things being done now – right or wrong. However, a sustained performance measurement program and commitment to staff development and support can over several years maximize existing resources and service delivery. A regimented benchmarking program for performance measurement can help obtain the City's strategic goals.

1. Guidance, Training and Implementation for Results-Oriented Strategies. \$10,000.
2. Community Perceptions Survey \$24,000.
3. Compensation Study Implementation (Year one of multi-year program) – Conduct a comprehensive compensation and benefit survey of communities within a defined geographical area \$20,000.
4. Employee Assistance Program – A program that is aimed at the early identification and/or resolution of both work and personal problems that may adversely affect performance on the job \$12,000.

Quality Economic Development

A Director at Automation Alley was quoted this month saying we in Michigan “Need to move with the same urgency that the rest of the world is moving.” Companies with home offices abroad are increasingly choosing Novi, likely because they know we are striving to move with a sense of urgency in our City business. This budget recognizes efforts to promote Novi and streamline and focus our critical work for review of building permits and site plans once they choose to bring jobs and investment here.

1. Branding brochure – A marketing brochure for the City of Novi would provide a printed material for site selection and community awareness in the City’s efforts to promote itself as a desirable place to do business. The brochure would be at no cost to the City as we would work with a publishing company which would sell advertising, leaving editorial control to the City \$0.
2. Planning Interns - Two temporary, part-time interns would provide additional resources at an efficient rate to perform special projects and studies, thus freeing the staff planners to focus more on site plan reviews \$15,000.
3. Building Department contracted and/or part-time assistance – A report and recommendation was submitted to the City Council in March 2006 and is being discussed \$338,700.

Environment

1. Update environmental map data - Update the natural features maps, specifically the Wetland and Woodland maps, to better represent the environmentally sensitive land in the City of Novi \$8,000.

City Facilities

Maintaining what we have is a mantra lived in Novi. We recommend investment in several items deferred for several years and needing to be emphasized to keep our facilities compliant, safe, and sharp.

1. Civic Center Elevator Modernization – Elevator will be brought up to current building codes, all outdated parts will be exchanged with new items \$46,800.
2. Civic Center Replacement Fire Safety Alarm System (Alarm Panel, Horns and Lights for ADA Compliance) Update the fire alarm system (i.e. flashing emergency lights for the hearing impaired) \$75,000.
3. Civic Center Parking Lot Lighting Replacement - Supply and install parking lot lighting replacement fixtures \$61,500.
4. Civic Center Chiller Replacement of Original Equipment – Provide new chiller, replacing original using obsolete refrigerant, including modifications to electrical, architectural, and structural adjustments \$350,000.

5. Council Chamber Seating – The original council chairs are in disrepair and need replacement \$25,000.
6. Architecture analysis and master plan for Fire Stations #1, #2, and #3. Fire stations 1, 2, and 3 required additional accommodation for current and future growth of the department, a plan will provide the items, prioritization, and options \$25,000.
7. Fire Station #1 Roof Replacement - Two original roof sections have experienced multiple leaks; the roofs have provided 25 years of service \$90,000.

Fleet Management

1. Sign Truck with Lift Platform – Used to install or hang roadway signs and banners throughout town (replace #68) \$80,000.
2. Backhoe/Loader – Used to excavate for water leaks, sanitary sewer problems and also in the Drains department \$80,000.
3. DPW Facility Master Plan - Request to hire a consultant to study the DPW complex and determine future needs in areas such as energy, parking, interior and exterior lighting, employee use and storage of equipment and materials \$30,000.
4. New Tandem Dump Truck - Tandem dump truck with underbody scraper and front snowplow that is capable of transporting up to 10 yards of material, primary use of this vehicle is snow removal, can be used all year- round \$190,000.
5. Fire Pumper/ rescue replacement - Replacement Vehicle for Unit 507 as scheduled \$420,000.
6. Wide area lawn mower Parks & Recreation - A wide area mower will cut grass swaths 12-16 feet wide and will enable the parks division to conduct daily operations more efficiently \$56,000.
7. Two Replacement vehicles in Building Department - Request for 2006 Jeep Liberty's (or equivalent designed for off road construction inspections for the building inspectors \$42,000).
8. Replacement 4-wheel drive $\frac{3}{4}$ ton truck with plow and lift gate - 4 Wheel Drive SUV would be used to travel on active construction sites in the city \$28,000.
9. Upgraded field inspection vehicle in Engineering Division – Addition of Jeep Liberty or equivalent for inspection of right-of-way permits, field conditions on undeveloped land before issuing soil erosion permits, City capital improvement projects off-road \$21,000.
10. Replacement vehicle in Neighborhood Services Division – 4-Wheel Drive vehicle with higher chassis for code compliance officer \$21,000.
11. Replacement pick-up truck with used vehicle - For summer seasonal workers and full-time winter maintenance (Parks Maintenance) \$30,000.
12. Replacement mini-van (Senior Services) - This vehicle will be used to transport Novi Senior Citizens and those with disabilities \$16,000.

13. New cargo van for use in Building and Grounds - For transport of tables, chairs and equipment from the various City facilities and for events \$18,000.
14. Marked K-9 unit in Police Department - For second K-9 officer \$33,311.
15. Replacement 4-wheel drive $\frac{3}{4}$ ton truck in Water and Sewer - Utilized by Water & Sewer staff in daily operations and to respond to and resolve resident inquiries \$24,000.

Emergency Management and Preparedness

1. CERT training – The City’s Comfort Station Volunteers are organized and in need of training and supply its that will enable the to assist City staff at a quality level during a possible disaster \$18,000.
2. 40 self-contained breathing apparatus (SCBA) units & tester for the Fire Department –New advancement in technology provide our firefighters with SCBA’s that meet current standard for respirator protection \$175,000.
3. Training Center and Firing Range – A study is underway for the City’s Police Department facilities to provide a master plan recognizing police needs as we grow. The City set aside \$1.0 million in Federal Drug Asset Forfeiture funds as the first deposit towards some improvement to the facility \$2,035,000 (Federal Drug Asset Forfeiture Funds).

Capital Improvements – Roads and Utilities

Water and Sanitary Sewer Utilities

1. Relief sewer to increase Lanny’s Road sanitary sewer district capacity \$2,113,000.
2. Construction of diversion line from Walled Lake Wastewater Treatment Plant to North Huron River Value Interceptor Sewer \$115,000.
3. Continuation of Sanitary Sewer Evaluation Survey \$100,000.
4. Capacity Management Operation and Maintenance (CMOM) Study Phase II – Continuation of the (CMOM) study that is currently underway \$200,000.
5. Rehabilitation of Country Place and Stonehenge Pump Stations - Upgrade ad modernization of two oldest pump stations to decrease the maintenance costs and increase safety for Water and Sewer personnel \$250,000.
6. Rehabilitation of Hilton Pump Station - Upgrade of the existing pump station to decrease maintenance costs \$100,000.

Roads

7. Grand River Avenue widening: Novi Road to Meadowbrook Road Preliminary Engineering/ROW Analysis \$0 (Preliminary cost being borne by Road Commission for Oakland County).

8. Novi Road Link: Ten Mile Road to Grand River Avenue – RCOC lead project. \$2,200,000 City portion from Road Bond funds and tri-party funds; balance from RCOC and Federal Funds.
9. Northwest Ring Road Connection north of Grand River Avenue to west of Novi Road – Land Acquisition completion and Preliminary Design \$750,000.
10. Eleven Mile Road rehabilitation (Town Center Drive to Meadowbrook Road) – repair and replace concrete with asphalt \$250,000.
11. Eleven Mile Culvert Replacement (west of Meadowbrook) and repave with asphalt \$500,000.
12. Haggerty Road: Eight Mile Road to Ten Mile Road (eliminate 2-lane pinch points on Novi side) \$500,000.
13. Taft Road rehabilitation: Nine Mile to City limits – south (PASER 4) \$750,000.

Stormwater

14. Streambank stabilization along Middle Rouge River Section 26) \$55,000.
15. Study performance and suitability of existing regional detention basins - The study would include a further inventory and analysis to evaluate the effectiveness of the existing regional detention basins at meeting the City's current water quality, stream protection and flood control goals \$30,000.
16. Sedimentation evaluation of existing regional basins - As recommended in the Storm Water Master Plan update completed in FY05-06, this project would develop a "sedimentation index" by measuring differences in sediment accumulation rates in water courses \$30,000.
17. Drainage improvements north of Ten Mile Road and east of the CSX Tracks – This project will provide storm water and environmental improvement by removing deposited material, reduce the amount of soil erosion, repair existing storm water structures and enhance streambank stabilization \$37,500.

Capital Improvements – Parks, Recreation & Forestry

1. Community Sports Park storage/maintenance facility - This facility would provide storage for park maintenance equipment and supplies utilized at the park \$152,000.
2. Community Sports Park ball field improvements – Two years ago the department rebuilt ball field #2 at Community Sports Park. The remaining seven fields at the park now need to go through similar renovations. \$34,000
3. Power Park Renovation – Phase I - The current facility is 23 years old and is in need of multiple improvements. The first phase will include design and engineering, consulting, irrigation installation, fencing renovations, and replacing the infield surfacing \$342,000.

4. Village Oaks/Orchard Hills West Park development and Master Plan – Phase I for acquisition match – This site features several naturalized areas, open spaces, and a pond. A Master Plan would be completed in the 2006-2007 fiscal year as well as the installation of an access road, parking lot, and signage \$50,500.
5. Lakeshore Park Shelter - This park shelter will be approximately 20 x 40 and seat up to 50 park guests. It will provide additional space for reservations and revenue \$35,500.

Unfunded important projects and Future Issues

Naturally, there are projects and programs that while worthy, are not included in this proposed budget. No permanent full-time positions are being recommended in this budget, in part due to the fact of having so many labor agreements unresolved and not having complete information on assessing the long-term impact of those positions. That stance could be revisited during the fiscal year at mid-year depending upon financial resources and demands of the City. The following represents a sampling of unfunded programs in FY 2006/07:

1. One additional police officer \$89,823/year.
2. Implementation of Plan to Provide 24/7 staffing at Fire Station #1 and Improve Sleep-In Program to Three Fire Stations (Addition of four firefighter positions).
3. Beck Road Reconstruction (to 3-lanes): Nine Mile Road to City limits south (PASER 3) \$1,750,000.
4. Civil Engineer-In-Training – This new civil engineer would be primarily responsible for planning, design, and construction of environmental projects and requirements that are related to the City's Storm Water Management Plan. Consideration of this improvement should be considered in conjunction with any efforts to streamline and expedite the City's economic development, as the Engineering Division is a key contact in that process \$70,608/year.
5. Fire Department Fire Protection Officer – Focus on Fire Inspections and Plan Review. Pending the outcome of a review of building permit plan review, it is quite likely that one of the areas for additional resources if we choose to decrease review time and increase consistency and clarity is the fire inspection and plan reviews. A Fire Protection Officer trained and dedicated to this critical ongoing function could eliminate an outside review step and bring review revenues to the City \$99,694/year.
6. Water and sewer worker - Our annual inspection workload has increased (i.e. grease trap ordinances), new subdivisions, Homeland Security have lead to an increased workload within the department \$87,523/year.
7. Public Works Laborer - One Laborer 1 Position would enhance DPW operations for greater demand for city services and efficient inquiry response \$87,523.

Fee increases for cost recovery

1. Rezoning requests
2. Zoning ordinance text amendments
3. Liquor licenses

Summary

The budget proposals listed above are the result of a truly collaborative process. Administrative personnel in each department contribute facts and figures. Division and department leaders review and prioritize requests. Staff from Finance, Assessing, and Community Relations then review the information and work with the City Manager's office for a final presentation to the City Council of the most complete document possible. All those involved in this year's budget process went beyond the call in making this a quality product in a time of transition. I want to thank all of the staff and department heads for their attention to detail and their many insights as we developed our recommendations to Council.

The virtuous circle is at work in Novi, as evidenced by this balanced budget that builds on previous City policies, actions, and successes. The staff and I look forward to working with you and the community on moving forward this budget agenda and making 2006/07 the best possible for Novi.

Respectfully submitted,

Clay J. Pearson
Interim City Manager

c: Leadership Group

May 8, 2006 Postscript Note:

The following page summarizes changes made to the 2006-2007 proposed budget during City Council budget work sessions.

**CITY OF NOVI
2006-2007 GENERAL FUND BUDGET
SUMMARY OF CHANGES TO THE PROPOSED BUDGET**

	Change
Change in estimate for the Civic Center fire alarm system, including ADA compliance strobes (from \$80,700 to \$33,000)	\$ (47,700)
Change in estimate for the DPW Facility & Grounds Master Plan Study (from \$30,000 to \$6,850)	(23,150)
Add site plan review to process analysis and recommendations	20,000
Reduce transfer to Judgment Trust Fund	(25,000)
Defer architectural plan for Fire Stations 1, 2 & 3	(25,000)
Defer planning interns	(15,000)
Add Entryway signage (at four locations)	53,100
Additional Transfer to Parks, Recreation & Forestry for (a) Portable Sound System (Theater, City-sponsored Events, etc.), (b) extension of Senior Van Transportation hours of operation, (c) less utility vehicle for park trails	25,750
Defer Community Perception Survey	(24,000)
Add Retiree Cost-of-Living Payment (one-time, non-cumulative, for retirees as of December 31, 2005, with one exemption; in lieu of MERS Benefit E Program)	61,000

NOTE: Designation of General Fund - Fund Balance for Economic Development position in amount of \$66,000

**2006-2007 MAJOR STREET FUND BUDGET
SUMMARY OF CHANGES TO THE PROPOSED BUDGET**

Add Construction - Beck Rd Reserve	\$ 765,000
Defer Construction - 11 Mile Road rehabilitation conversion to asphalt	(250,000)
Add Transfer from Municipal Street Fund (revenue line item)	(380,000)
Remove \$35,000 from Routine Maintenance for Beck Rd	(35,000)
Appropriation of Fund Balance	(100,000)

**2006-2007 MUNICIPAL STREET FUND BUDGET
SUMMARY OF CHANGES TO THE PROPOSED BUDGET**

Defer Construction - Traffic Signals (11/Wixom & Beck/Cider Mill)	\$ (350,000)
Adjust 2006-7 Sidewalk Program: add Meadowbrook Rd - 8 Mile to 10 Mile gaps (west side); remove Novi Rd sidewalk - 10 Mile to Ice Arena Dr	20,000
Add 14 Mile & Novi Rd Signalization Improvement	50,000
Reduce amount for Haggerty Rd pinch-points based on new estimate	(200,000)
Add intersection improvements (expand left turn lane) 12 Mile west of West Park Dr	100,000
Add Transfer to Major Street Fund (expenditure line item)	380,000

**2006-2007 PARKS, RECREATION & FORESTRY FUND BUDGET
SUMMARY OF CHANGES TO THE PROPOSED BUDGET**

Increase Transfer from General Fund (revenue line item)	\$ (25,750)
Defer Utility Vehicle for Trail System	(10,000)
Add Portable Sound System	10,000
Increase Senior Van Transportation hours of operation	25,750

**2006-2007 FEDERAL FORFEITURE FUND BUDGET
SUMMARY OF CHANGES TO THE PROPOSED BUDGET**

Interest Income (revenue line item)	\$ (23,000)
Appropriation of Fund Balance	(161,564)
Add Police Vehicles	184,564