



City of Novi, Michigan

**FISCAL YEAR 2009-2010
BUDGET MESSAGE**

March 2009

It's not that looking into the future is bad, so long as one does not restrict the present according to a future more distant than one can see... Life itself [is] like driving at night: You can only see as far as your headlights, but you can make the whole trip that way."

E. L. Doctorow quoted in "The New Pioneers", Thomas Petzinger, Jr.

Dear Mayor Landry and City Council Members:

As Novi looks ahead and plans for the future; we will not be diverted from goals even though fog may lie ahead. To help us look forward, we rely upon community involvement from volunteers and boards and commissions to create master plans. Staff and outside experts provide elected leadership with options and strategies to lay out the roadmap as our City of Novi drives forward. We apply a success formula of APPEAR (Analyze, Plan, Prepare, Execute, Adjust, and Repeat).

In our **rearview** mirror, we can see specific results achieved just over the last year:

1. **City/school cooperative land transfer agreement.** The Novi Community School District and the City of Novi reached a historic accord, achieving an intergovernmental partnership of the type discussed, but too seldom realized. This sets the stage for opportunities to meet parks and recreation needs of residents.
2. **Civic Center Campus Improvements** (Library, Police Station critical needs, Power Park, and Fuerst Park improvements, etc.). These various enhancements serve the recreational, educational, safety, and community needs of our residents. They are investments in our public assets to keep them current and up to standards.
3. **Bond rating upgrade from rating agency.** Novi secured an improved credit rating through focused efforts showcasing our sound financial practices. This upgrade provides a favorable independent national perspective on our continued financial advancements despite worsening economic conditions in the state as a whole.
4. **Economic Development program accomplishments.** Novi successfully competed for the right to host a number of new projects happening in southeast Michigan; Novi won out on our fair share and then some. The City's product is great - schools, location with solid infrastructure, public safety, diverse, green,

high-tech, retail, neighborhoods. We have been successful in our increased efforts to make certain Novi in known and on the map.

5. **Community spirit enhancements.** The City stepped up its efforts to communicate to our residents and to realize the growing sense of community and attachment to Novi. Initiatives such as the entryway signage program and the debut of the *Engage!* and *Enhance* publications stand out. The success of these efforts was validated by results in the 2008 Citizen Survey.

Keeping high octane clean fuel in the engine to drive forward

We have our “high beams” on to guide us down the road ahead. In January, we delivered a report to the City Council prepared by our City Assessor regarding Novi’s tax base for 2009 and projections for the following year. The tax base is vitally important, because property taxes represent the major source of revenue for the General Fund and other crucial funds like Debt Service, Stormwater, Parks & Recreation, and Police & Fire. That tax base will contract in 2009 and 2010, but at this point it appears that with continued sound navigation, it will be by manageable degrees. The comparative value of Novi’s tax base adjustments is due in large part to the diversification the City Council has made a policy priority. Residential property contributes about 60% of the total taxable value of all of Novi’s property, which establishes the basic character of the City as a great place to live and raise a family. The addition of solid office, retail, and industrial property values to corresponding business personal property value results in a broad and deep tax base that ultimately totals \$3.55 billion in 2009.

Because all the essentials of local government—public safety services, infrastructure maintenance and improvements, recreational opportunities—can only be paid for by an energetic, high-value quality tax base, economic development has become a key priority in Novi. While economic development was to some extent at least taken for granted in the past, and assumed to happen on its own, we now know that we must keep our foot on the pedal with speed and strategy to attract and retain investment. The Neighborhood and Business Relations Group constantly provides the friendly face and personal touch along with daily outreach to assist our local businesses. Our Community Development staff has initiated ordinance changes to make economic activity easier within our Community. They are encouraged to and do make concerted efforts to guide people through the development/start-up process in a cooperative way, making sure public safety and standards are upheld in the most understandable, consistent and approachable manner. Looking ahead with this budget, we will continue to emphasize marketing and communications, as we did in 2008, because we have such a great product to promote. We will finish the entryway and City facility signage started in 2008, so all are consistent and professional. And we will continue to extend the Novi message electronically and internationally, letting everyone know residents and investment within our community are welcomed. The 2009/10 Budget reflects our commitment to the parks, and particularly the proposed Signature Park, recognizing the educated talent that drives innovation and productivity for companies demands quality parks and recreational opportunities for individuals and families. Both companies and families look to locate and stay where those opportunities exist.

Tapping the brakes strategically on corners

The operational adjustments made internally at the City this year have been of a manageable scope, because the City did not overextend itself in good times and foresaw

the contraction. We have been able to 'tap the brakes' and avoid a jarring knock. Our capital projects and new initiatives are managed daily with an emphasis upon preserving resources and maximizing good results. The City of Novi fosters an environment where collaboration and new ideas to improve productivity and enhance customer service are expected. We encourage innovative ideas which focus on achieving City Council goals. Ideas which support efficiency and cost management continue to be of great priority within our organization.

We have also over the last year made staffing level reductions to align with workload. A different level of staffing resources is required during times of \$3 million in building permit revenues than is required when those fees drop to \$1 million. This reduction in activity was anticipated and built into plans - though the speed and depth of the drop-off has been comparatively dramatic. Nine full-time staff position reductions were made in Community Development-Building through layoffs and attrition. Through organizational changes we have reduced budgeted full-time positions city-wide by twelve from the start of FY 2008/09. There are no additional full-time positions recommended in this budget. We support the current cadre of staff in this budget with technology and training to help them meet the high expectations we hold.

Keeping the high-tech hybrid engine tuned

Sound financial base

The budget includes conservative assumptions in several areas. State shared revenue will again be reduced by 5% from the State of Michigan estimates. This is primarily a hedge against another year of reduced total sales tax receipts to the State. The protected constitutional portion of state shared revenue is now the bulk (\$3.16 million of total \$3.62 million) of our State Shared Revenue. We have also increased the allowance in property tax revenue for losses due to tax tribunal and other cases. As of this writing, there is \$89 million under protest; this includes cases that have been in process for several years and cases that represent dramatic claimed changes from quantified City values. The claims will have to be substantiated by the petitioners through the appeals process.

The FY 09/10 Budget shows an overall 1.24% reduction in taxable value. On that basis, a projected \$214,600 reduction in General Fund property tax revenue and \$468,500 reduction in property tax revenue (operating and debt millage). Given the expectation that 2010 taxable value will decline further, by another 2.9% for FY 2010/11, the impact on the General Fund will be more pronounced, with an estimated range of \$500,000 to \$1,000,000 less revenue for FY 2010/11. The projections discussed with the City Council at the January 26, 2009 meeting reflect these assumptions and have been factored into our planning.

The General Fund "Rainy Day" reserves are therefore being kept on the high side of the adopted 14% to 18% range. Budgeted Undesignated Fund Balance is detailed in the "Rainy Day Funds" tab of the Budget document. In sum, we are recommending setting aside 17.5% of General Fund expenditures. We expect to draw down on that balance in the FY 2010/11 Budget as a part of our program to maintain/enhance services while keeping within financial constraints.

Excellent Public Safety

Novi has top-flight public safety services. Residents' perceptions of those services reflected in the November 2008 National Citizen Survey results were consistently exceptional. Close to **90%** of respondents in the statistically-valid survey rated Novi's fire services, ambulance/EMS services, and police services as excellent or good. These results were above both national benchmarks for cities the size of Novi. The results were internally consistent with those from the survey taken in 2006 in Novi. The criticality of public safety is emphasized daily both in operations and decisions by those charged with that oversight. But we know, too, that public safety is everybody's business, and so we instruct our entire organization to prepare and be aware. We have engaged more than 170 citizens in CERT to be pre-trained to assist – because “the first 72 are on you.”

We have enhanced and improved Novi's public safety equipment and buildings in large part due to past successes – the indoor gun range is operational and expanded/upgraded Fire Station #2 is in service. In FY 2008/09, we embarked upon the largest staffing initiative in recent years, bringing into the team our first cadre of Novi Police cadets. The cadets, generally students pursuing college, are now with us gaining experience and providing us with front-line counter and police headquarters support (giving our sworn officers more time out in the community). The results are driven by the quality of people we have in those positions, and their leadership and focus. This Budget continues to provide for the critical training and development to those colleagues that we have come to count upon. We also provide the vehicle equipment and technology to support the concentrated results we expect.

Managing Future Legacy Costs

In 2006, the City of Novi began taking measures to manage future legacy costs more effectively. The City converted several union employee retirement plans from defined-benefit to defined-contribution plans. In 2006 all administrative and teamster staff hired after May 1, 2006 and December 1, 2006 respectively, now participate in the MERS Defined Contribution (DC) program. More recently, new hires after June 1, 2009 within Fire Fighters Union group will now participate in the MERS Defined Contribution (DC) program as well.

For individuals retiring after June 30, 1994, payments for premiums are recorded in the Retiree Health Care Benefits Expendable Trust Fund. The proposed budget includes sufficient contributions to meet the minimum required payments, estimated at \$1,378,000. Employer contributions are made annually to this fund and charged as expenditures to individual departmental budgets based on a percentage of wages. Retirees contribute 20% of the cost of their premiums. Postemployment Benefits (OPEB) were closed to all Administrative employees hired after May 1, 2006, Teamster employees hired after December 1, 2006 and Fire Fighters hired after June 1, 2009. These employees are enrolled into an individual Retiree Health Savings Account.

It is the opinion of the actuary that if the required contributions are made to the Retiree Health Care Benefits Fund from year to year at the future levels required on the basis of the successive actuarial valuations, the Plan will operate in an actuarial sound manner. Updated actuary valuations are required every two years, and the next valuation for the City of Novi is scheduled for July 1, 2009.

Sound Infrastructure

The City of Novi has a tradition of taking care of the basics that support our residents and businesses. Chief among these is quality infrastructure: the unglamorous but essential system of roads, water, sanitary sewer, and stormwater at the ready with every flush, flood, and turn of the faucet. Our stewardship of roads and utilities has settled into the best rhythm of planning, preparation, and execution since I have been with the City. Our master plans have been completed and are being executed. This planning has put Novi in a good position in the past; with grants secured we completed the intersection of Ten Mile Road and Beck Road, a Road Commission for Oakland County intersection. We did this because it needed to be done, but we did it in the most economical way for Novi. We were able to do so in large part because our Engineering staff successfully completed a Federal Congestion Mitigation and Air Quality grant that funded \$203,232 of the construction portion of the project cost which was awarded in the amount of \$524,925.

Road investment (a/k/a lots of construction detours) will be epic in FY 2009/2010. It will be epic because of the vast number of dollars for improvements funded by third-party sources other than the City of Novi. More than \$70 million of roadwork is scheduled; of which approximately \$67 million the City was able to leverage from other funding sources. The largest of this \$70 million is the long-awaited Novi Road Link, spanning Ten Mile Road to Grand River Avenue, scheduled to finally start in November/December 2009 and take a full year.

The next largest component is work along I-96 for resurfacing, bridges, and ramps. Although proposed to be on Michigan Department of Transportation-owned roads, the work is within our 32 square miles and benefits the residents and businesses of Novi. Our prime location is one of the largest attributes we have to capitalize upon. That location is getting even more accessible with \$37.6 million of MDOT work. The City is obligated to pay a portion of that work: \$432,000, or 1.1% of the total. We have the wherewithal to meet that obligation and continue with other roadwork, including work on our City streets.

For most of this decade, the City has annually put money towards neighborhood roads reconstruction, first with bonded debt proceeds and then with annual operating revenue from our street funds. We continue that commitment in this Budget, but begin putting resources into a balance of reconstruction and preventative maintenance. Asset management is the practice of systematizing the planning and care of our infrastructure. We have \$1.1 million in neighborhood road reconstruction and \$500,000 for the sealing, spot repairs, and care of our roads in good condition now so as to avoid their costly reconstruction as long as possible.

We were very successful in securing federal stimulus allocations for several infrastructure projects. When the awarded projects were announced, three City-owned roads were set for 100% federal reconstruction dollars – two segments of Nine Mile Road and one on Meadowbrook Road. In addition, the Road Commission for Oakland County has federally-funded projects slotted within FY 2009/10 on Novi Road between Grand River Avenue and Twelve Mile Road. We are making continued headway to build out the current sidewalk and pathway program utilizing existing City funds with three separate capital projects listed in Appendix C of the Budget, including a table of the leveraged funds.

Supply chain partnering

Within the City's overall budget, a significant new community asset is taking shape. The Novi Public Library broke ground in November, 2008 and will be open to the public in summer, 2010. This investment in life-long learning for all ages will bring a modern 55,000 square foot facility that's wired, flexible, and convenient, including a full-service drive-up window for pick-up and drop off. The project is on budget and on schedule. The process of getting to the construction now underway has been a collaborative partnership with the City and Library working together to maximize each other's talents and skills. This partnership has led to a behind-the-scenes additional City-Library success of further mutual benefit. Buying one integrated phone system instead of two, thus saving all the up-front and the continuing cost of individual islands.

We continue to go out and talk with colleagues in surrounding jurisdictions to find areas of benefit. While the major mutual agreement of the year is the large land exchange agreement reached with the Novi Community School District (discussed below), there is yet another cooperative venture that will benefit our Novi residents and that is the Civic Center campus itself. Three major public groups - the school, library, and City - are stewards for acreage located centrally in the City. The City has finished what it started with upgrades to Power Park. We now have a ballfield facility that shares existing parking with the Civic Center and provides a first-class venue for athletic leagues, attracting paying tournaments. On the other side of the forthcoming library, at the corner of Ten Mile and Taft Roads, Fuerst Park will take shape in 2009. This park will provide an active venue for small theatrical and musical presentations and events as well as be a beautiful place to walk and meet, or even read a book. The framework of our new Civic Campus will be a collection of resources for Novi residents to grow and learn in for years to come. But the campus is only so big and has certain purposes; there is need for more...

...In February, the City Council reviewed a report analyzing the City's park system that was the culmination of years of planning and discussion. As Novi has grown and prospered, the needs of our recreational and park services have grown too. Our ability to meet those needs has become stretched. As a means to meet those needs, we have engaged in public-private partnerships but at this point do not have dedicated facility or land for a Signature Park. The concept for elements of a Signature Park, the partnership solution with the School District, as well as additional information regarding Signature Park is available on the City's web site at cityofnovi.org. The purpose of this communication is the budgetary planning for FY 2009/2010. Our residents will decide in the special election to be held on Tuesday, May 5th if they want a 0.5 mill maximum addition (to sunset after 25 years) to be levied for parks and recreation improvements. If voters respond in the affirmative, an alternate budget will be presented for adoption, recognizing the new millage option.

As shared and endorsed by the City Council at the February 9th special meeting, the actual total millages for FY 2009/2010 will then be adopted to provide the 0.5 mill for parks and recreation services, but that would be offset with a reduction in the Drain Fund levy of the .1765 mills that is reflected in this current Budget document. There would also be an adjustment with the General Fund Levy under the "Yes" scenario for Signature Park so the total millage would be 10.8651. The Budget for the Parks and Recreation Fund would have the revenue to commence the further design and engineering of Signature Park. In the event the Charter amendment passes, funds will be established to pay for debt service of future construction of a facility, for

improvements to the property (parking, utilities, fields, paths), and for operations of the same. The feasibility study and staff work provided to the City Council on February 9th lays out the detailed plan for how this can be accomplished.

Summary

The recommended Budget you have for consideration is the expression of the work plans and direction you have provided and that the community has validated. The staff we have are dedicated and professional; the results they deliver and the feedback we receive are evidence of the pride they all take in their work. With your continued support and leadership, and despite the forecast of some more fog, we will motor through the road ahead with the help of the light shed by the special formula that is Novi.

Respectfully submitted,

A handwritten signature in black ink that reads "Clay J. Pearson". The signature is written in a cursive, flowing style.

Clay J. Pearson
City Manager

c: Leadership Group