

# Budget Message



City of Novi, Michigan

## FISCAL YEAR 2013-14 BUDGET MESSAGE

June, 2013

Honorable Mayor and City Council Members:

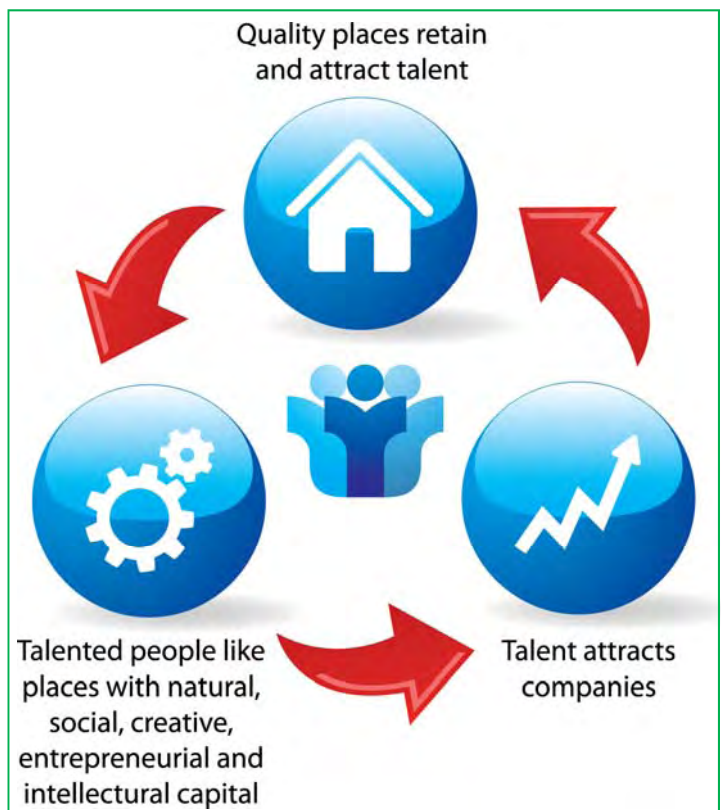
Whether there is a “war for talent” going on or merely the traditional competitive jostling between communities being ratcheted up more, regions are definitely all working to attract and leverage talent. We all want the creativity, innovation, insights, and energy of the talented people who build, contribute, and prosper. To meet the challenge, the Novi community continues to take a long-view perspective. We work on erecting and maintaining a place where talented people of all ages, from diverse backgrounds, through lifelong learning, want to be and to stay.

Governor Snyder emphasizes the importance of talent often, most recently at an economic development and placemaking summit. As the Detroit Free Press reported on March 19, 2013, “The goal of the two-day summit is to clarify the link between available talent and available jobs. That issue is acute in a state that has seen its unemployment rate stuck at around 9% for the past year. ‘The greatest asset we have in our state is our talent,’ Snyder told his summit.”

How can relatively small, 32 square mile `semi-burban' Novi, with its 55,000 residents, affect and contribute to inspiring talent in this southeast Michigan region? Well, Novi can keep pushing the unique qualities that make it a point of convenience for talent and jobs. The City has economic development, planning, transportation, public safety, and cultural/recreational tools to continue to make a place second to none.

The March/April Michigan Planner publication illustrated (adapted and shown right) the reinforcing influences of place, talent and jobs which said,

*The quality of a place plays a much larger role in today's economic decisions than in recent years. As capital and people are more mobile than ever, the quality of a place also matters more than ever before. Quality places retain and attract skilled and talented people who in turn retain and create jobs.*



Adaptation of graphic on the relationship between talent, jobs, and place.

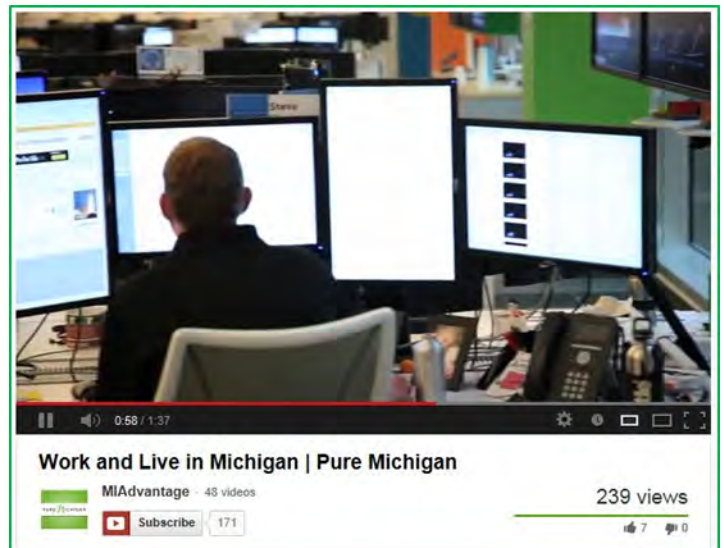


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*People choose to live, and ultimately invest, in places that offer community amenities, social and professional networks, resources and opportunities.*

During a Novi staff meeting this month, we planned a mobile web presence (jointly with the Novi Community School District) to attract even more talent to Novi, targeting new residents with school-age children. To help meet the identified market with our mobile web, a branding consultant interviewed different people around the city. The consultant held a discussion series with school administrators, parents, and business owners who already live here. The consultant's report gave a perspective that you will recognize as familiar. One comment was that "there is a very intellectual aspect to this community. Novi isn't trendy or in need of any high-gloss veneer. It's certainly not urban with that worn-out layer of hand-crafted appeal. It's new, it's fresh, it's innovative, and it's intellectual." The Novi interviewees went on about the "strong parks and recreation program; great schools; a city with a strong local government and school systems; **it's a hub** (emphasis added); and it has a mark, but hasn't (yet) left it."

Lou Glazer from Michigan Future, Inc. is someone whose talent policymakers such as the Novi City Council can draw upon. In a January 2013 look ahead of big picture themes, Glazer wrote about how "globalization and technology are mega forces – more powerful by far than politics or policy – that are constantly reshaping the economy." Glazer goes on to emphasize the inspiring talent priority, "**The places with the greatest concentration of talent win. The new path to prosperity is the broad knowledge-based economy.** High prosperity is occurring chiefly in those places where knowledge-based enterprises across many sectors are concentrating. Increasingly that is states and regions with a high proportion of adults with a Bachelor's degree or more." While recognizing that formal education (degrees) is an indicator but by no means an exclusive determinant of talent, it is sobering to note that Michigan's ranking in terms of percentage of adults age 25 to 64 with a bachelor's degree or higher in 2011 was among the 50 States. At 27.4% it was below the national average of 30.1. Meanwhile, here in the city of Novi, we proudly have attracted highly educated adults, 54.6% of whom have earned a bachelor's degree or higher.



A video montage from Pure Michigan, 'Work and Live in Michigan' depicts new economy companies, quality of life, 24/7 entertainment and recreation, and the restaurants/ nightlife that Novi contains.

Such talented people come to work at places like ITC Transco, which celebrated its first decade of existence in early 2013. ITC is now the nation's largest independent electricity transmission company. Companies such as Autodesk, world leaders in 3-D design, engineering, and entertainment software, see the potential of adding on to their existing Novi team. Autodesk already has a significant presence of talent located in Novi. Some 300 programmers and knowledge workers are already on Crescent Drive. After an evaluation of top national locations and discussions with City and MEDC staff, Autodesk has decided to gradually add more IT roles in Novi in the coming years.

In June 2013, the talented residents and staff at Fox Run Village will celebrate their 10<sup>th</sup> anniversary. The Fox Run contributions to the community are broad. They estimate that their investment at build-out will be around \$350 million, with 1,500 residential units, structured with their buildings around clubhouses, ranging from independent living to skilled nursing. Fox Run is also an important employment center, with 750 full-



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time equivalent positions. The “Boomers and Beyond” at Fox Run have joined those at the City’s own Meadowbrook Commons (also enjoying high occupancy rates) to call Novi a new home or a place to extend residency. Our older adults will be engaged and their talents leveraged for the betterment of the entire community.

Senior housing at the decade-old Fox Run Village will be joined in 2013 with openings at Medilodge on Eleven Mile Road and Maple Manor Rehabilitation Center on 14 Mile Road. Overall, building permit revenue is back into the \$1.7 million/year range, up more than 100% from the moribund FY 2009/10 years. We have added staff support positions accordingly and continue to work on retention and recruitment of talent in a suddenly re-competitive field. The resources are geared to maintaining certainty and speed in the processes, safety in the outcome. Housing outcomes are changing. Housing demand for young talent more often requires rental and not ownership option; also amenities, transit and density over yards and square footage to fill and maintain.

## **Our City staff talent upon whom we rely**

Looking internally, to attract a talented workforce, we keep in mind the need to balance budgets while still offering competitive wage and benefit packages. We rely upon solid complement of leaders in our organization and their historical knowledge. This budget, in keeping with one of the City Council’s early budget input goals, has funds for developing an administrative compensation plan that identifies our objectives and provides a multi-year approach. The same reality of compensation/benefits is true for retaining our current talented staff. Retention also gets at continuity and passing on ways of historic successes. A December 2012 Harvard Business Review article highlighted how important understanding an organization’s history is for shaping the future. “Once leaders recognize the basic truth about how history shapes culture, the importance of learning lessons from the past becomes clear. Because a shared identity is central to group identity, past experiences can be summoned up in a time of great challenge and change to inspire people’s energy and commitment.”

The FY 2013/14 budget reflects a selected, limited return to full-time employee counts, with the reclassification of two positions from part-time to full-time (Planner and Communications Coordinator, the latter being funded from the dedicated cable franchise fees). To manage the higher value of road and pathway construction, we also will have a construction technician position predominantly funded by transfers from project budgets and therefore does not have a significant financial effect on the General Fund. Finally, to keep up with parks grounds and City buildings, we will have a full-time parks maintenance worker and a facilities operator. The City grows and ages and needs care of its ‘bones.’ We have added or activated 71 acres of new parkland (Barr, Village Wood Lake, Pavilion Shore, and Orchard Hills West) which can be efficiently served by modest affordable dedicated staffing. With the rules for administrative officers and labor contracts for new employees, all of these positions are ‘pay-as-you-go,’ without legacy costs beyond the time the employee is with us. Moreover, as you will see in the financial tables and the multi-year budget, the inclusion of these adjusted position counts is still below highs of historical full-time position and fully financed in our multi-year projections within targets.

The talent of Novi’s staff is nurtured by a continuing culture of education. We have 19 employees in FY 2012/13 who are furthering their knowledge via the Employee Tuition reimbursement program. That extra work by the employees is a point of pride, as is the commitment to promoting active membership in professional associations & organizations. Our employees are leaders in their professions, contributing as they learn. For instance, we have line staff that presented to SEMCOG membership about winter maintenance efficiency and effectiveness. We encourage our staff to







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participate in professional association leadership positions, demonstrating the quality and dedication of their specialties.

We place great value on providing opportunities for employee engagement through health, wellness, and social programs. These offerings are crucial for the City to continue the path onward and upward by retaining those who have propelled the momentum thus far; we must redouble efforts to “Value our Talent” and, in return, they will value this organization and continue to make the City of Novi the jewel that it is. We also have staff serving on key Michigan Municipal League committees alongside elected officials to help shape legislation coming out of Lansing that will advocate for Novi and the best interests of local government serving citizens.

## **A word about public safety; parks, recreation and cultural services**

Our public safety services in Novi continue to shine. The Public Safety Administration, implemented in February 2010, continues to pay dividends for effectiveness and efficiency. The natural collaborations for budgeting, training, communications, records, emergency preparedness, and incident management have been enhanced. We have well-trained, professional, personable, caring staff throughout our police and fire services. Our combined fire department is efficient and effective and continues to work to provide an integrated focus. We have had the opportunity to make several promotions and recognize leaders who have demonstrated commitment to all these ideals and are ready to be partners with our community.

Novi's Parks, Recreation and Cultural Services Department also continues to be a significant contributor to Novi's placemaking successes. Our 1,100+ acres of parkland is as diverse as the population we serve, from active parks for athletic participation to passive areas for reflection and relaxation, park features include trails, wooded areas, water access, playgrounds, and gathering places, all of which provide value through improved health, economic growth, and gain in social capital. Novi's two newest park additions, Villa Barr Art Park and Pavilion Shore Park, will each provide a unique experience and illustrate our commitment to provide a well-rounded park system with quality amenities.

Our recreation and cultural offerings continue to evolve on a regular basis as PRCS staff stays current on trends in arts and leisure. New opportunities are offered throughout the year to meet the needs and demands of our community. The Department has been consistently recognized for providing new, innovative, and quality programs. Virtually every week we share to the City Council some new picture page of activities that are run for youth, adults, or boomers. With limited City-owned facilities, we maximize our parks and open space and partner with the community for maximum effect.

The Novi Public Library works within its great facility and throughout the community with outreach. Its location on the Civic Center Campus flows with the High School and Fuerst Park to create a great place. Lifelong learning and talent-sharpening has the staff of the Library out and about with programs to Fuerst Park and Meadowbrook Commons, all to make service and education a top priority. The Library Budget shows a planned use of all available means of financing to expand service hours to the public.

## **Taxable Value and millages, the combination that funds local government services in Michigan**

In addition to the overall large scale, diversity in the Novi tax base has been one of our strong point. Diversity helps to moderate different highs and lows in residential versus business uses. The “Great Recession’s: impact on property values was fairly universal, but disparate across geography and sectors. For some perspective, Novi's 2013 Taxable Value is 83% of its high value in 2008, \$3.58 billion. For the 2012

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tax year, the last for which comparable data is available, Novi is faring relatively well in the recovery, second only in Oakland County to Royal Oak in returning value level, and with a slightly higher percentage return than Troy, Farmington Hills, Southfield, or Rochester Hills.

Our value in types of property usage is also appropriately disparate. Residential values in Novi are definitely seeing a broad and strong return. Many values are at the capped maximum increase for residential uses. The commercial and industrial properties, though, remain sluggish. While residential-type taxable values increased 4.6% in the aggregate, the commercial and industrial properties saw another aggregate decline, this time 4%. The separation also causes the City's tax base for 2013 to rely slightly more on residential, now 64% of the total. We look forward to continuing work across retail, office, hotel, and light industrial land uses for retaining and expanding existing businesses, while attracting what we can from the limited pool for new recruit potentials.

## TAXABLE VALUE FOR 2013 POST March Board of Review (MBOR)

as of 3/18/2013

	2012 Post MBOR	Additions	Losses	2013 POST MBOR	2013 w/o Additions
<b>RESIDENTIAL PROPERTIES</b>					
17,106 PARCELS					
TAXABLE	\$1,809,105,200	\$50,180,116	\$1,442,970	\$1,892,939,776	\$1,842,759,660
% of the total	61.9%			63.7%	
% CHANGE TO TAXABLE				4.6%	1.9%
<b>COMMERCIAL &amp; INDUSTRIAL PROPERTIES</b>					
1,084 PARCELS					
TAXABLE	\$890,883,160	\$10,819,884	\$4,847,695	\$855,546,320	\$844,726,436
% of the total	30.5%			28.8%	
% CHANGE TO TAXABLE				-4.0%	-5.2%
<b>PERSONAL PROPERTY for non-residential</b>					
2,454 PARCELS					
Industrial	18,816,970			17,446,970	
Utility	44,871,710			44,557,650	
Commercial	156,656,610			159,345,380	
SEV & TAXABLE	\$220,345,290			\$221,350,000	\$ 221,350,000
% of the total	7.5%			7.5%	
<b>ALL PROPERTIES</b>					
20,644 PARCELS					
SEV	\$3,004,330,340	\$92,098,334	\$39,466,100	\$3,097,384,860	\$3,005,286,526
TAXABLE	\$2,920,333,650	\$61,000,000	\$6,290,665	\$2,969,836,096	\$2,908,836,096
% CHANGE TO TAXABLE				1.7%	-0.4%
% OF PARCELS WHERE SEV = TAXABLE				49.9%	
% OF VALUE WHERE SEV = TAXABLE				95.9%	

Summary of Novi taxable value composition, after the March Board of Review completion.

A sense of cautious optimism wisely pervades policymakers and is echoed in this budget. The personal property component of the total tax base is reflected in the blue color band above. The industrial component is the one most-often discussed in Lansing when it comes to personal property tax "reform." That reform, monitored by staff and recognized by the City Council during early input budget sessions, means removing the industrial personal property revenues from future FY 2014/15 budget revenue without replacement. Thankfully for the City of Novi's revenue, the industrial portion is a small 0.6% of the total tax base.





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One financial unknown discussed last year dealt with tax tribunal appeals of value. Happily for the City, those unknowns have been greatly reduced thanks to the improving economy and the diligence of our Assessing staff. The 2013 March Board of Review processed only 304 petitions to justify a reduction down from 492 last year and 719 in 2011. Overall, there were 67 reductions, 61 increases, and 176 that saw no change. It is anticipated that the reduction in MBOR activity and the improving economy will lead to less tribunal cases in the future. Until that time, the loss allowance from the City's overall Taxable Value is conservatively shown at \$50 million, then \$40 million for each of the subsequent years in the projected multi-year financial plan. The allowance provides a hedge as a take away from the total tax base. Again, though the scale of the case counts and values is dramatically less than what we have been carrying the last three years, but we will continue to account and plan for such losses.

The City **property tax millage rate was reduced in 2012** from 10.5416 mills to 10.200 mills as a result of effective management of our long-term debt obligations and flexibility in the storm water fund. That rate is maintained in 2013. You can see a table under the Fiscally Responsible Government Budget Program Category, depicting "Municipal and other tax rates for ten largest Taxable Value cities in Oakland County." That table shows Novi with a low millage rate, second only to Rochester Hills. The higher-rate communities are mostly built-out and do not have the opportunity for new value growth. Such additions help feed our revenue base and will continue to for years, but not forever.

## Big Picture, Big Numbers

A good way to look at the big picture of the City's current fiscal position is through our Comprehensive Annual Financial Report (CAFR). More perspective can be gained by looking at the **statement of net assets** found in the CAFR prepared by our Finance Department. As of June 30, 2012, the City's total assets (our infrastructure, property, facilities, and equipment) exceeded total liabilities by \$333.6 million, up \$5.5 million from the previous year. Net assets for governmental activities (a subset of funds including the General Fund and Special Revenue Funds) increased by \$2.3 million, or 0.7%. It is this type of holistic balance sheet statement that brings a healthy dose of business accounting to our public setting. Novi's balance sheet remains strong. The talents wisely spent are not just expenditures out the door; the expenditures are investments throughout this budget work plan.

Governmental accounting and financial reporting rules are sensibly requiring units of government to make a clearer and more complete assessment of their overall and long-term financial positions. Reporting on a full accrual basis of accounting represents a significant change to the overall financial reporting model previously used. Novi implemented required changes in 2003, ten years ago, to include reporting government-wide financial statements. That first report, back on June 30, 2003, disclosed total net assets were \$230 million. So, from the beginning of this data ten years ago, despite the intervening economy and revenue fluctuations, we have still managed to increase the value of the City's total net assets by 45%.

Maybe the most-discussed change over the last few years has been accounting for **other post-employment benefits (OPEB)**. The reporting rules now require that the statements show the costs of providing retiree healthcare expenses after the working life of the employee, rather than when the expenses are later incurred. The City has made cumulative excess contributions of \$375,800 towards this liability over the last three years, as shown in the last audit. In this recommended FY 2013/14 budget, we are making a specific additional contribution of \$100,000 toward this liability, reflecting a deposit now that will provide generations of future City leaders with flexibility.

Eric Scorsone from Michigan State University published in March 2013 an MSU Extension White Paper, "Funding the Legacy: The Cost of Municipal Workers' Retirement Benefits to Michigan Communities."

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Scorsone and his team compiled Fiscal Year 2011 annual audit reports filed with the Michigan Department of Treasury for each city, village, and township. OPEB, pension and related financial data were compiled and analyzed. Although the data is already a little dated, at that time it showed, surprisingly, that most Michigan public employers (52%) do not require employee or retiree contributions for retirement healthcare benefits. When looking at the scope of OPEB for local governments across Michigan, the MSU report generally keeps to large aggregations of communities in various population categories. There is one table that points out “Characteristics of 10 Local Units with the Highest Funded OPEB Plans in the 30,001 – 200,000 Population Category.” The report says that, “These units demonstrate progressive efforts to confront the OPEB liability: closing the plan to new hires, introducing employee and/or retiree cost participation, implementing a healthcare savings plan (HCSP), and benefitting from investment earnings on plan assets. Though this cursory analysis doesn’t explain why these units began prefunding, the **overall characteristic indicates strong management and oversight.**” Note that the data available to the researchers stems from filings to the State of Michigan and an older actuary. The City’s 2011 report shows 61.4% OPEB Liability Funded status. From an MSU expert, then, a solid testament for Novi’s past decisions and those with whom we compare. In the FY 2013/14 budget, we continue 100% of the actuary-recommended funding to OPEB.

Local Unit Name	County	OPEB Liability	OPEB Liability Funded Status	OPEB DB Plan Status	Some Level of OPEB Cost Participation Disclosed?	Offers HCSP?	Administrator?
Kentwood	Kent	\$ 1,708,613	109%	Open	yes		no
Portage	Kalamazoo	4,138,629	107%	Open	no		yes
Troy	Oakland	89,952,000	67%	Open	yes		yes
Macomb Township	Macomb	16,794,869	64%	Open	no		no
Farmington Hills	Oakland	74,937,594	59%	Open	yes		yes
Rochester Hills	Oakland	3,475,690	59%	Closed	no	yes	yes
Muskegon	Muskegon	24,024,000	55%	Open	no		yes
Novi	Oakland	19,936,733	46%	Both	yes	yes	yes
West Bloomfield Charter Township	Oakland	54,464,291	41%	Both	no		no
Livonia	Wayne	153,223,000	39%	Both	yes	yes	yes

From the MSU report, depicting “Characteristics of 10 Local Units with Highest-Funded OPEB Plans in the 30,001 - 200,000 Population Category.”

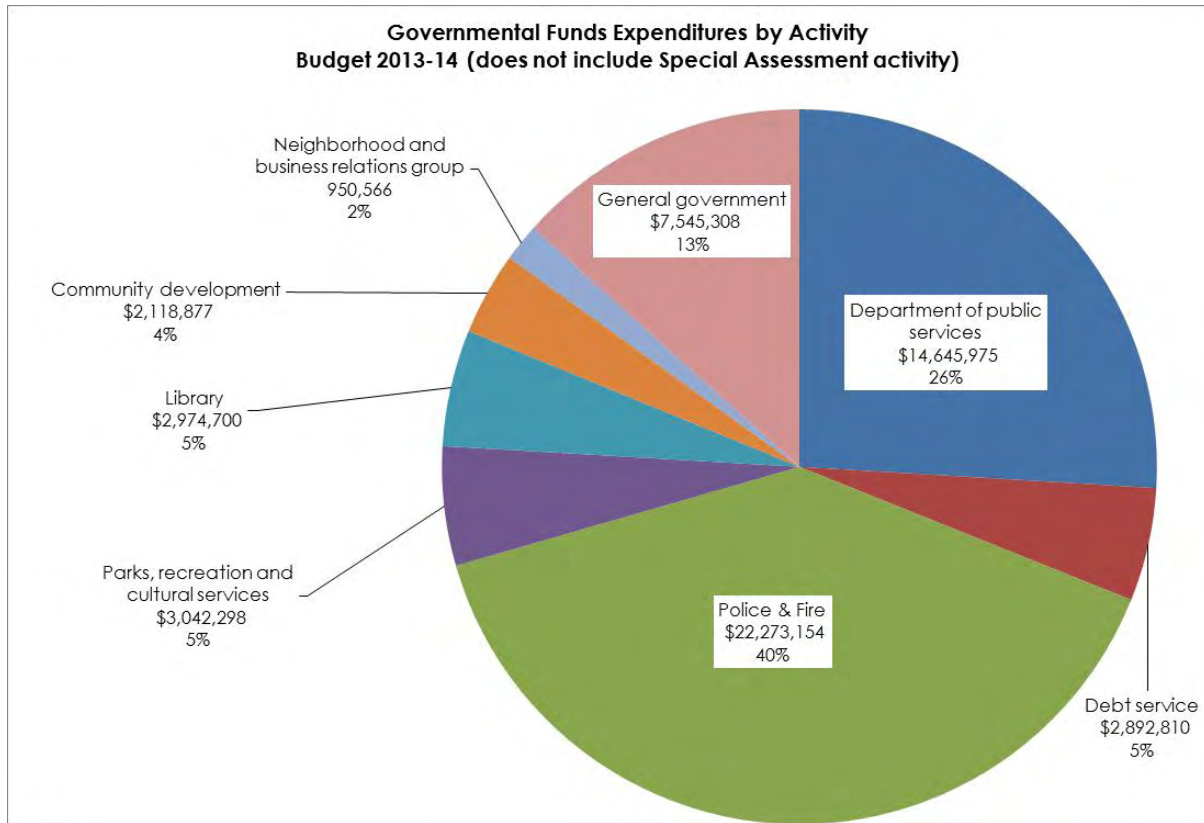
## Investing in priorities, keeping balance

Finally, staying with the more holistic view of governmental fund activities, the pie graph below reflects where the City of Novi dedicates its resources on an activity basis. As in the past, the emphasis is on public safety, with the direct expenditures to police and fire services. In addition to those direct dollars, much of community development (i.e., code enforcement) is linked to public safety. Likewise, parks and recreation spending, supporting activities and enrichment for citizens of all ages, reflects our efforts for safe and healthy opportunities. Continued investment in an expansion of year-long consistent operating hours of the Novi Public Library provides both cultural and intellectual opportunities to our residents. That investment in the intellectual talents for our residents contrasts to other communities that have cut back on library hours as a budgetary decision.





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**Police and Fire/EMS, Public works services remain the highest priority expenditures within the City's General and Special Revenue Funds, primarily supported by property taxes.**

## Local transportation investments doubled

In August 2012 the Charter was amended through voter-approval millage (Thank you!) to provide an increase in the maximum available from 1.0 mills (which had been reduced by the Headlee Amendment to .7719 mills) to 1.5 mills beginning with this year's 2013 levy. With the dedicated millage, the revenue potential for road construction and maintenance, pathways and sidewalks, traffic signals and intersection work essentially doubled.

Our focus on infrastructure (broad, beyond just roads) in Novi is keen. Infrastructure requires planning, regular maintenance and care, and big ticket purchases. We see that responsibility as essential to supporting public safety, economic development, neighborhoods, and general quality of life – essentially everything we do as a City government. The infrastructure we tend is below ground and above; it is multi-faceted. We are not just a road agency; we are responsible for providing availability for people to walk, bike, and run as much as drive. Such facilities address Novi being welcoming for multiple generations, from youth to older adults. As functional as our infrastructure must be, we can also make our infrastructure “look nice”.

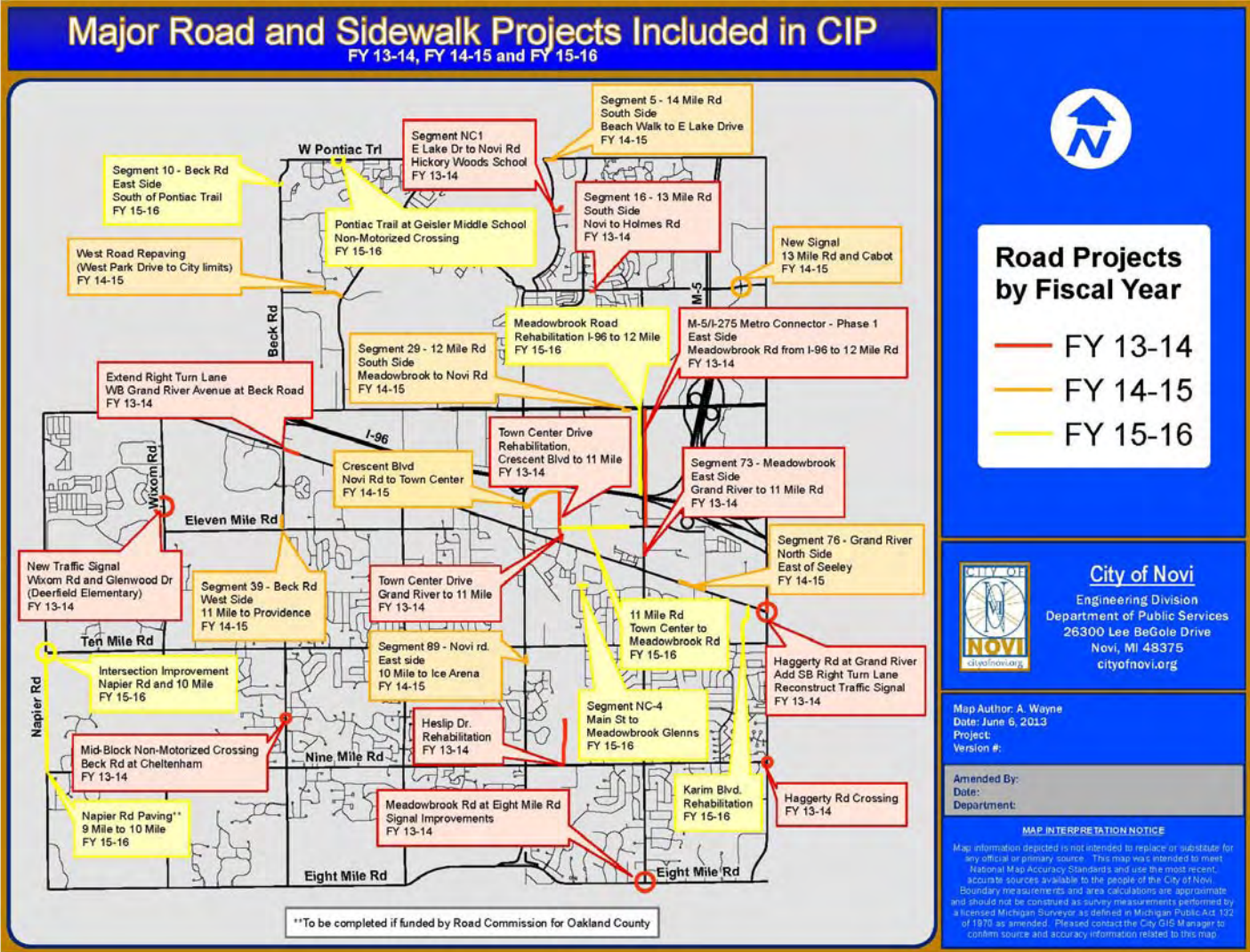
The Complete Streets emphasis can be a jumping off point to make the right-of-ways safe and attractive for multiple modes of moving about. A city of Novi's stature justifiably funds landscaping and tree plantings that beautify public spaces, including roadways. We provide spaces for public art to grace the thoroughfares people move about daily. In this budget, we continue the tree trimming program, just finishing with its first five-year cycle of trimming (through managing a contracted vendor)



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some 6,000 trees and now starting the cycle again. The City government here is collectively responsible for the planting, care, and maintenance of over 36,000 street and park trees. In addition to the natural beautification efforts, through the support of the Novi Parks Foundation and other private dollars, public art such as that from Novi resident David Barr, now appears along our roadways as well.

Our non-motorized transportation system has significant work in the FY 2013/14 Budget. Pathways and sidewalks, organized with the work of the Walkable Novi Committee, continue to be promoted. Major work is scheduled to fill individual gaps in pathways and sidewalks where private development activity that would otherwise install the required walks is long-off or unlikely. We have grant-assisted projects to



Recommended capital improvements within this upcoming multi-year budget are plentiful and shown throughout Novi.

link neighborhoods north and south of I-96, along Meadowbrook Road, with an option to make a vital regional connection with the I-275 pathway. The work ahead builds upon the successes already in place. A March 13, 2013 staff report recapped work completed since the adoption of the non-motorized master plan in 2011. That recap shared in the last two years over 13,000 feet (2.5 miles) of investments in sidewalks and pathways were completed. Staff has calculated the City's non-motorized facility mileage includes an impressive 264 miles to walk and bike.





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The City of Novi budget furthers our capital improvement plan to good effect. We have projects teed up over multiple years that will meet all of these varied objectives. The map below depicts construction work on the arterial or other non-residential roads, but does not reflect the work on the neighborhood roads or our maintenance/repair efforts, which are just as important, if not more so, to the success of our infrastructure.

If you compare the map from last year to this years, the number of projects for FY 2013/14 is vastly expanded. We have major road improvements, including necessary work to rehabilitate deteriorating Crescent Boulevard east of Novi Road and Town Center Drive. Rehabilitation of these key roads surrounding Novi Town Center is important because we have seen an increase in economic activity associated with Wal-Mart's presence and the specialty retailers that have subsequently set-up shop nearby. Accordingly, we expect to see an increase in average daily traffic on these roadways once they are addressed, the timing is good and need is there now prior to full occupancy.

## **Multi-year budgeting, with enhancements, representing well**

The last budget document saw several upgrades from what had been termed the Fiscal Analysis Section. The multi-year budget was shown as a separate highlighted section and more prominently shown as the City Council's financial guidepost. Apart from positioning in this document the amounts for planned projects, in sync with the CIP, for projected years were shown. We continue that practice; providing a fine-tuned projection of revenues and expenditures for the next 36 months for all the funds involved with a property tax levy.

Last year's edition of the multi-year budget projected out 24 months down the road an unrestricted General Fund Balance at the end of this fiscal 2013/14 year of \$6,730,083. Now, twelve months later and twelve months closer, we are projecting a \$6,288,792 General Fund balance. Knowing that behind the net total the elements may change significantly, it is still reassuring to see that a major net total is tracking within 5.5% of the estimates. The adjusted Taxable Value that we were using last year for FY 2013/14 was \$2.95 billion, 0.6% within the prior year's projection.

## **Property tax bill historic reductions**

The City, schools, and county have had less operating revenue since property values peaked in 2007 and 2008. The City is committed to maintain the lowered 10.2000 millage rate first levied in 2012. A table is provided with five actual property tax amounts for residences scattered throughout Novi. The table shows local and state government revenue derived from property taxes declining even in a stable city like Novi anywhere from 14% to 55% in these limited samples, depending on the neighborhood. While that obviously leaves more money in our residents' pockets, it leaves less available for the City to provide the services that they expect.

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Sample Residential Property Tax Bills Six-Year History and Change from Previous									
City of Novi, Michigan									
	Total Prop Tax Bill	Change from Previous		Total Prop Tax Bill	Change from Previous		Total Prop Tax Bill	Change from Previous	
	<b>Maple Hills</b>			<b>Saratoga Circle</b>			<b>Is. Lakes N. Bay</b>		
<b>2008</b>	\$2,906			\$5,011			\$8,980		
<b>2009</b>	\$2,410	-17.1%	-\$496	\$4,401	-12.2%	-\$610	\$7,304	-18.7%	-\$1,676
<b>2010</b>	\$2,205	-8.5%	-\$204	\$3,832	-12.9%	-\$569	\$6,820	-6.6%	-\$484
<b>2011</b>	\$1,606	-27.2%	-\$599	\$3,842	0.3%	\$10	\$6,535	-4.2%	-\$285
<b>2012</b>	\$1,570	-2.3%	-\$36	\$3,894	1.4%	\$52	\$6,808	4.2%	\$273
<b>EST 2013</b>	\$1,608	2.4%	\$37	\$3,988	2.4%	\$93	\$6,972	2.4%	\$163
<b>Six-year Difference 2008 to 2013</b>		-44.7%	-\$1,298		-20.4%	-\$1,023		-22.4%	-\$2,008
	<b>Applegate II</b>			<b>Dunbarton Pines</b>			<b>Addington</b>		
<b>2008</b>	\$2,519			\$3,994			\$7,045		
<b>2009</b>	\$2,367	-6.0%	-\$151	\$3,814	-4.5%	-\$180	\$6,954	-1.3%	-\$91
<b>2010</b>	\$1,100	-53.5%	-\$1,268	\$3,504	-8.1%	-\$310	\$6,291	-9.5%	-\$663
<b>2011</b>	\$1,123	2.1%	\$23	\$3,331	-4.9%	-\$173	\$6,076	-3.4%	-\$215
<b>2012</b>	\$1,145	2.0%	\$23	\$3,223	-3.3%	-\$108	\$5,938	-2.3%	-\$138
<b>EST 2013</b>	\$1,132	-1.2%	-\$13	\$3,300	2.4%	\$77	\$6,080	2.4%	\$142
<b>Six-year Difference 2008 to 2013</b>		-55.1%	-\$1,387		-17.4%	-\$694		-13.7%	-\$965
	<b>Bellagio</b>								
<b>2008</b>	\$23,922								
<b>2009</b>	\$18,036	-24.6%	-\$5,886						
<b>2010</b>	\$16,713	-7.3%	-\$1,322						
<b>2011</b>	\$17,545	5.0%	\$832						
<b>2012</b>	\$19,720	12.4%	\$2,175						
<b>EST 2013</b>	\$20,193	2.4%	\$473						
<b>Six-year Difference 2008 to 2013</b>		-15.6%	-\$3,729						

Note: Reflects property taxes paid for all entities

While aggregate of property taxes to the City and other taxing bodies are in the millions, these seven sample actual property tax bills depict change over the recent years.







# Budget Message

## FY 2013/14 General Fund Revenue exceeds Operating Expenditures

Despite these revenue pressures, the recommended budget has General Fund operating revenue (with transfer in) greater than annual operating expenditures for FY 2013/14. By virtue of savings from prior years, revenues over expenditures, and consistently staying within our targeted fund balance, we are also able to complete one-time capital items and service improvements. The ending General Fund fund balance (or fund equity) as of June 30, 2016 is likewise within its targeted percentage.

CITY OF NOVI General Fund		
DESCRIPTION	Estimated 2012-13	Budget 2013-14
Annual Revenue (including transfers from other funds)	<u>\$29,498,211</u>	<u>\$29,217,048</u>
Annual Expenditures (excluding transfers out, service improvement requests & capital outlay)	29,054,750	28,780,298
Transfer out to Parks, Rec, & Cultural Svcs Fund	720,310	250,000
Transfer out to 2002 GO LOTD Tax Debt Fund	282,500	-
One-time capital items, service improvements, etc.	<u>2,114,820</u>	<u>848,389</u>
Total Expenditures	<u>\$32,172,380</u>	<u>\$29,878,687</u>

Note: Annual Revenue does not include appropriation from fund balance.

### Looking ahead

We talked in this space last year about the City Council needing to decide whether to proceed with a road millage question. We believed then that the Municipal Road question was the most pressing and provided the most direct benefit for the entire Novi community. That question has been answered and the response being put to good effect here.

The City's declining outstanding debt provides flexibility and the opportunity for new paths of investments that will keep talent productive in Novi. The debt management policy adopted in February 2013 provides guideposts for using debt as a sound means of financing. Like corporate bonds for business endeavors, municipal bond issuances provide a source of capital to complete large-scale improvements which then get repaid at a known, controlled term through taxes paid by those who are here benefitting from the capital improvements. Looking ahead, we have at least two particular large capital needs that will not realistically be completed solely with operating fund even after designating savings toward defraying those costs in the upcoming years.

The most stark need is our Department of Public Services facility, its garage, offices, and storage needs for equipment and materials, which supports the wide variety of utilities (which can provide funds toward the completion), all-season road maintenance, park maintenance, signage, pathways, and other public infrastructure improvements that make our great city an attractive place to live. The second need is Fire Station #1, currently at Grand River Avenue and Main Street. Although the building is sound and functional, in the long-term the location may have higher and better uses. A modernized facility would provide a better environment for our fire protection officers 24x7x365. The existing building was built in 1980 when it helped service a community of 30,000 people. In this budget, we have included the necessary facility reviews and examinations to soundly assess alternatives and develop better cost



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estimates. Funding capital improvements at the DPS facilities with a long-term plan and building a new Fire Station #1, presumably at a new location, were priorities from the January 2013 City Council early input session.

## Conclusion

Novi is a great place for talented people of all walks of interest. The community works hard and our City government strives to maintain that tradition. We do the hard work with talented staff and partners. The FY 2013/14 budget document, our policy for the next twelve months and beyond, again balances a variety of needs and wants, focuses both short- and long-term, and reflects strategic planning and tactical results. We are fortunate in Novi to have many attributes and talents, but what we do with those talents is up to us. While some talents get buried and others fail to reach their full potential, we strive daily here to take advantage of every day and everybody. We look forward to pursuing the next opportunities.

Respectfully submitted,



Clay J. Pearson  
City Manager

## POSTSCRIPT

I want to thank everyone who had a hand in preparing the Recommended Budget, by far the most important document we, as a team, produce each year. We have a new leadership team in Finance with Nevrus Nazarko, Jessica Dorey, and Deb Peck who have all done a great job joining the experienced minds in Finance. Since December, along with their other responsibilities, Victor Cardenas, Glenn Lemmon, Rob Petty, John McCarter, Sheryl Walsh, Becky Arold, Pat Cauchi, Evie Watt, Brian Coburn and so many more have worked to make sure the estimates are tight, the transfers balanced, the equipment accounted for, and the document complete. The Recommended Budget is my responsibility as City Manager, but it comes about because of the great talented people throughout this City organization.

