



# CITY of NOVI CITY COUNCIL

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**Agenda Item 2**  
**July 23, 2007**

**SUBJECT:** Approval of Policy Resolution Regarding Maintenance of Current City Millage Rate.

**SUBMITTING DEPARTMENT:** City Manager

**CITY MANAGER APPROVAL:**

On January 13, 2007 City Council adopted as one of its five-year goals to "Maintain a fiscally responsible government" which included maintaining the total City millage rate at 10.5416 mils.

The current 2007-2008 budget, as well as the last eight years' budgets, has been structured to allow the City Manager to provide a proposed budget which strengthens the City's level of services.

As a result of the City's financial position, current and projected, the proposed library construction millage (project debt service schedule attached) can be absorbed in the total millage rate through a combination of fiscal management planning as described in the attached memorandum. The assumptions for the projections are provided and are conservative in regards to interest rate (5%) and taxable value growth (3.5%). The Library has also previously provided financial planning describing their operations in a new facility within projected revenue and using Walker Fund and other contributions. The 20-year schedule of principal and interest requirements for the \$16,000,000 library building construction project, and the related estimated annual millage required is also attached.

**RECOMMENDED ACTION:** Approval of Policy Resolution Regarding Maintenance of Current City Millage Rate.

	1	2	Y	N
Mayor Landry				
Mayor Pro Tem Capello				
Council Member Gatt				
Council Member Margolis				

	1	2	Y	N
Council Member Mutch				
Council Member Nagy				
Council Member Paul				

CITY OF NOVI

COUNTY OF OAKLAND, MICHIGAN

**POLICY RESOLUTION REGARDING MAINTENANCE OF  
CURRENT CITY MILLAGE RATE**

Minutes of a \_\_\_\_\_ Meeting of the City Council of the City of Novi,  
County of Oakland, Michigan, held in the City Hall in said City on \_\_\_\_\_, 2007,  
at \_\_\_\_\_ o'clock P.M. Prevailing Eastern Time.

PRESENT: Councilmembers \_\_\_\_\_  
\_\_\_\_\_

ABSENT: Councilmembers \_\_\_\_\_  
\_\_\_\_\_

The following preamble and Resolution were offered by Councilmember \_\_\_\_\_  
\_\_\_\_\_ and supported by Councilmember \_\_\_\_\_.

WHEREAS, the City of Novi has for the past eight years maintained its overall millage rate for *ad valorem* property taxes for municipal purposes, including debt, at 10.5416 mills, within the City's Charter tax-rate limitations; and

WHEREAS, such levy has proved sufficient to allow the City to provide a high level of governmental service while encouraging maximum efficiency, resulting in a solid financial position that in turn affords a degree of flexibility in allocating City resources; and

WHEREAS, the City is currently undertaking, or contemplating undertaking, a number of significant capital projects, including the indoor police gun training range and related work at the City-owned Field Services (Department of Public Works site), various infrastructure

improvements, fire station facilities and equipment upgrades, and, possibly, construction of a new library; and

WHEREAS, the City administration has projected that, because of the flexibility afforded by the City current financial position, there are funding or financing mechanisms available to offset the costs of these various projects (along with the other usual activities of city government) without an increase in the City's current millage rate resulting from them; and

WHEREAS, the City Council, in January, 2007, adopted a set of 5-Year goals, one of which was to maintain a fiscally responsible government, including a short-term goal of maintaining the existing millage rate; and

WHEREAS, it is the City administration's responsibility to prepare a proposed budget each year that continues to provide the high level of services with the resources available, but the City Council's responsibility to in fact adopt the City's annual budget and thereby appropriate the sums necessary to finance the budget, including the adoption of an appropriate *ad valorem* tax levy; and

WHEREAS, City Council believes that an appropriate expression of its intention to maintain the current millage rate of 10.5416 mills, consistent with its adopted strategic goals, and its commitment to explore all available financing mechanisms for doing so, is a direction to the City administration to bring to City Council for review and approval balanced budgets that do not exceed such millage rate

NOW, THEREFORE, BE IT RESOLVED, that the Novi City Council hereby directs the City administration to continue to annually prepare a proposed budget for consideration and approval by City Council that maintains and does not exceed the current millage rate of 10.5416 mills unless or until otherwise directed or authorized by City Council.

AYES:

NAYS:

ABSTENTIONS:

ABSENT:

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
MARYANNE CORNELIUS, CITY CLERK

**CERTIFICATION**

I hereby certify that the foregoing is a true and complete copy of a Resolution adopted by the City Council of the City of Novi at \_\_\_\_\_ meeting held this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
MARYANNE CORNELIUS, CITY CLERK



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5-31-07  
*[Signature]*

**MEMORANDUM**

**To:** Clay Pearson  
**From:** Kathy Smith-Roy  
**Cc:** Pam Antil  
**Subject:** Library Bonds – Impact on Future Millage Rates  
**Date:** May 29, 2007

The City of Novi can absorb the impact of the Library Bond Debt, if issued, within its 10.5416 mills. This can be accomplished through a variety of financing mechanisms for example by (a) reducing the Drain Revenue Fund millage, and/or (b) reducing the General Fund operating millage, or (c) some combination thereof. As demonstrated in the 2007-8 Budget, the Drain Fund millage could be reduced without negatively impacting the operations. The information below assumes the reduction of the Drain Revenue Fund millage:

CITY OF NOVI CITY CHARTER RATES, HEADLEE MAXIMUM RATES AND ACTUAL TAX LEVY					Possible Millage Scenario		
OPERATING FUNDS	CITY CHARTER	2006	APPROVED 2007 LEVY	REMAINING CAPACITY	2008-2009	2009-2010	2010-2011
					2008	2009	2010
GENERAL FUND	6.5000	5.0182	4.8287	0.1895	4.8907	4.9490	5.0182
MUNICIPAL STREET FUND	1.0000	0.7719	0.7719	-	0.7719	0.7719	0.7719
POLICE AND FIRE FUND	1.8000	1.4282	1.4282	-	1.4282	1.4282	1.4282
PARKS AND RECREATION	0.5000	0.3857	0.3857	-	0.3857	0.3857	0.3857
DRAIN REVENUE FUND	1.0000	0.7719	0.5105	0.2614	0.3070	0.2950	0.2644
LIBRARY FUND	1.0000	0.7719	0.7719	-	0.7719	0.7719	0.7719
<b>DEBT SERVICE FUNDS</b>					<b>Last Year of Payments</b>		
396 2003 REFUNDING BONDS	(as needed)	N/A	0.2579	2012-13	0.2490	0.2513	0.2614
1997 STREET DEBT FUND	(as needed)	N/A	0.0000	N/A			
307 2000 STREET DEBT FUND	(as needed)	N/A	0.2687	2015-16	0.2820	0.2898	0.2842
FIRE DEBT SERVICE FUND	(as needed)	N/A	0.0000	N/A			
371 1999 POLICE DEBT FUND	(as needed)	N/A	0.0000	2018-19			
2008 Proposed Library Debt					0.2035	0.2145	0.2704
397 2002 REFUNDING & STREET BONDS	(as needed)	N/A	0.8963	2017-18	0.8541	0.9763	1.0853
398 1993 REFUNDING BONDS	(as needed)	N/A	0.4218	2009-10	0.3976	0.2070	0.0000
			<u>10.5416</u>		<u>10.5416</u>	<u>10.5416</u>	<u>10.5416</u>

The assumptions used for this projection include the following:

- Library Bonds dated 5/1/08, and first interest payment due 10/1/08
- Projected interest rate on Library Bonds 5%
- Growth in taxable value of 3.5% (in 2007 the increase in taxable value was approximately 5.9%)
- No Headlee reductions through 2010
- The General Fund reaches capacity in 2010

Please note that with the 1993 Refunding bonds being paid off in 2009-2010, this would allow for other financing alternatives if needed. If you have any questions or need any additional information, please let me know. Thanks.



\$16,000,000  
CITY OF NOVI  
COUNTY OF OAKLAND, STATE OF MICHIGAN  
GENERAL OBLIGATION UNLIMITED TAX (LIBRARY) BONDS, SERIES 2008

**20 YEAR  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**

Tax Levy July 1	Principal Due October 1	Interest Rate	Interest Due October 1	Interest Due Next April 1	Total Principal & Interest Requirements	Taxable Value in \$1,000	Annual Millage Required
2008	\$0	5.000%	\$333,333 *	400,000	\$733,333	\$3,603,667	0.2035
2009	0	5.000%	400,000	400,000	800,000	3,729,795	0.2145
2010	250,000	5.000%	400,000	393,750	1,043,750	3,860,338	0.2704
2011	500,000	5.000%	393,750	381,250	1,275,000	3,995,450	0.3191
2012	500,000	5.000%	381,250	368,750	1,250,000	4,135,291	0.3023
2013	500,000	5.000%	368,750	356,250	1,225,000	4,280,026	0.2862
2014	500,000	5.000%	356,250	343,750	1,200,000	4,429,827	0.2709
2015	500,000	5.000%	343,750	331,250	1,175,000	4,584,871	0.2563
2016	750,000	5.000%	331,250	312,500	1,393,750	4,745,341	0.2937
2017	750,000	5.000%	312,500	293,750	1,356,250	4,911,428	0.2761
2018	750,000	5.000%	293,750	275,000	1,318,750	5,083,328	0.2594
2019	750,000	5.000%	275,000	256,250	1,281,250	5,261,244	0.2435
2020	1,000,000	5.000%	256,250	231,250	1,487,500	5,445,388	0.2732
2021	1,000,000	5.000%	231,250	206,250	1,437,500	5,635,977	0.2551
2022	1,000,000	5.000%	206,250	181,250	1,387,500	5,833,236	0.2379
2023	1,250,000	5.000%	181,250	150,000	1,581,250	6,037,399	0.2619
2024	1,250,000	5.000%	150,000	118,750	1,518,750	6,248,708	0.2431
2025	1,500,000	5.000%	118,750	81,250	1,700,000	6,467,413	0.2629
2026	1,500,000	5.000%	81,250	43,750	1,625,000	6,693,772	0.2428
2027	1,750,000	5.000%	43,750	0	1,793,750	6,928,054	0.2589
	<u>\$16,000,000</u>		<u>\$5,458,333.33</u>	<u>\$5,125,000.00</u>	<u>\$26,583,333.33</u>		

Average 0.2616

**ASSUMPTIONS**

Bonds dated	05/01/2008
Principal due	10/01/2010
First interest payment date	10/01/2008 *
Number of days	150 *
Subsequent interest payment dates	04/01/2009
Number of days	180
Projected interest rate	5.000%
2006 Taxable Value	\$3,364,061,500
Growth Rate in Taxable Value	3.50%

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