



CITY of NOVI CITY COUNCIL

Agenda Item Q
September 26, 2011

SUBJECT: Acceptance of transfer from the General Fund to the Retiree Health Care Fund in the amount of \$100,000 for additional pension contributions to reduce the City's unfunded accrued liability.

SUBMITTING DEPARTMENT: Finance

CITY MANAGER APPROVAL: 

BACKGROUND INFORMATION:

City Council requested this appropriation be brought back to City Council for consideration in the fall of 2011. The General Fund results reflect a positive result (net increase in fund balance of approximately \$460,000) for the fiscal year ended June 30, 2011.

Beginning Fund Balance July 1, 2010		\$	9,710,402
Estimated 2010-11 from Proposed Budget for 2011-12:			
Revenue	\$ 29,511,084		
Expenditures	(28,853,772)	\$	657,312
Projected Fund Balance, June 30, 2011		\$	<u>10,367,714</u>

Beginning Fund Balance July 1, 2010		\$	9,710,402
Unaudited 2010-11 as of September 17, 2011 for first budget amendment 2011-12:			
Revenue	\$ 29,747,750		
Expenditures	(28,041,077)	\$	1,706,673
Rollover expenditure items included in budget amendment 2011-1		\$	(589,400)
Fund Balance (unaudited), June 30, 2011		\$	<u>10,827,675</u>

Net difference in estimated for 2010-11 budget and actual unaudited results **\$ 459,961**

RECOMMENDED ACTION: Acceptance of transfer from the General Fund to the Retiree Health Care Fund in the amount of \$100,000 for additional pension contributions to reduce the City's unfunded accrued liability.

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

	1	2	Y	N
Council Member Mutch				
Council Member Staudt				
Council Member Wrobel				

Member Staudt said since they weren't doing a whole study, he would agree to add it and defer it and let it come back to talk about it at that point.

Member Margolis asked when the additional pension contribution would normally be made from the General Fund.

Ms. Smith-Roy said all of the retiree healthcare contributions were made at the end of September after they collected all of the property tax dollars.

Member Margolis said one of the Council goals since she had been there was to reduce legacy costs and when you hold out \$100,000, it didn't sound like a lot, but the reality was they were sitting on money in the General Fund that could be put into the Pension Fund in September and would basically be making interest for that time until January. She asked for an amendment to take that out and put the money into the Pension Fund versus waiting until January.

Mayor Landry suggested that because it wouldn't be done until the end of September, which would be the beginning of the second quarter, that they deferred that one item to the beginning of the second quarter.

CM-11-04-064 Moved by Staudt, seconded by Wrobel; CARRIED UNANIMOUSLY:

To defer until the 2nd quarter, with Council approval, additional pension contribution. Also to defer until the 3rd quarter, with Council approval, the following items: facilitate pro license, CRM software, upgrade to Gas Boy fuel management system, Ford F-350 pickup, Civic Center roof, dump truck, to add and defer until the 3rd quarter a new senior van and to defer until the total funding was available, Council Chamber AV system.

Member Fischer said they had a lengthy discussion on snow removal earlier this year. He asked when the dump truck would have been purchased in the '11-'12 year, if not deferred.

Mr. Pearson said as part of the budget package and recommendation, they were suggesting a separate mid-year budget estimate for Fiscal Year '10-'11 for 2 truck replacements. He said it was included in the mid-year estimates. He said as part of the regular fleet replacement, they had one heavy-duty truck which was what would be deferred until the 3rd quarter. He said as a practical matter, they would place the order in July or August, lead time has been as long as 10 or 11 months, but they recently received information that it could be 4 or 5 months lead time. He said the 2 truck replacements that would be brought to them on May 9th were what they would be trying to get in service for this season.

Member Fischer said he didn't want to see a deferment of this item be the cause of it not being in service if the original plan was to have it in service for the '11-'12 winter season.

Member Mutch clarified that they would receive a budget amendment for the purchase of the 2 dump trucks and plow attachments for other vehicles. He said in addition there were 3 pickups that were going to be replaced and 1 had been deferred so there would be 2 pickups funded for purchase immediately.