



# CITY of NOVI CITY COUNCIL

Agenda Item 5  
February 6, 2017

**SUBJECT:** Approval of resolution to authorize Budget Amendment #2017-2.

**SUBMITTING DEPARTMENT:** Finance

**CITY MANAGER APPROVAL:**

**BACKGROUND INFORMATION:**

The City's annual budget is adopted by the third Monday in May each year and is effective July 1<sup>st</sup> each year. The budget is adopted at a function level (vs. line item). In accordance with the State Budget Act, budget amendments are completed throughout the fiscal year in order to reflect the most current information available related to revenue and expenditure budgets. Budget amendments that have a positive or negative impact on fund balance or change the function total are prepared for Council approval. Amendments between line-items within the same budget function (that do not have any impact on fund balance) are managed at the administration level. The amendments are based on actual and projected activity-to-date.

The second quarter budget amendment is attached and it is also summarized below. Fund balance summaries have been included for the funds with minimum fund balance requirements that are being amended this quarter. The summaries reflect amendments approved by Council through January 23, 2017.

**GENERAL FUND**

<u>GENERAL FUND</u>			
<b>Beginning Fund Balance, July 1, 2016</b>			\$ 13,745,202
	Amended Revenue Budget as of 01/23/2017	33,397,509	
2017-2	2nd Quarter Budget Amendment	14,108	
	Amended Revenue Budget as of 02/06/2017		33,411,617
	Amended Expenditure Budget as of 01/23/2017	36,302,092	
2017-1	2nd Quarter Budget Amendment	14,108	
	Amended Expenditure Budget as of 02/06/2017		36,316,200
<b>Revenues over (under) Expenditures</b>			<b>\$ (2,904,583)</b>
<b>Estimated Unassigned Fund Balance for the end of FY 2016-17</b>			<b>\$ 10,790,619</b>
<b>Estimated Restricted Fund Balance for the end of FY 2016-17</b>			<b>50,000</b>
<b>Estimated Fund Balance for the end of FY 2016-17</b>			<b>\$ 10,840,619</b>
<b>Estimated Ending Fund Balance, June 30, 2017, as a % of budgeted expenditures :</b>			<b>29.9%</b>

The proposed General Fund budget amendment has a net zero effect on fund balance for the second quarter ending December 31, 2016. Overall net revenue and expenditures are both being increased by \$14,108 keeping fund balance within Council set limits. The amendment also includes transfers between various departments to consolidate janitorial service and temporary staff salary costs into a single cost center and has no net effect. The following highlights some of the significant items included in the proposed amendment for this fund:

- Increase the Police-Contracted Services revenue budget by \$75,000 to reflect actual revenue received associated with the increased demand for contracted police overtime, mandatory training, and security at special events over the last few months. This revenue increase helps to offset the \$100,000 increase in the corresponding police overtime expenditure budget.
- Decrease the Police-OWI revenue budget by \$74,000 due OWI invoicing is now being billed and collected through the Court. The Novi Police Department has been processing OWI cost recovery fees since 2004 with varying levels of success. It has been determined that it would be more efficient for the Novi Police Department to allow the Court to collect these fees on our behalf. Any OWI revenues collected by the Court will be added to our monthly payments net of the Court's collection fee.
- Decrease the Insurance Deductibles/Uninsured Claims expenditure budget in the amount of \$26,000 within the City Attorney, Insurance, & Claims Department since activity is lower than anticipated to date.
- Increase the Equipment Storage Building at ITC Sports Park expenditure budget in the amount of \$50,000 due to design changes.
- Increase the building, trade, & plan review services expenditure budget in the amount of \$56,694 within the Community Development – Building Department for anticipated services to be provided by SafeBuilt to help offset personnel vacancies.
- Decrease the DPS Expansion/Improvement Project design expenditure budget by \$136,524. This project is proposed to be funded out of the newly created Capital Improvement Program (CIP) Fund.
- Increase the Postage Machine expenditure budget within the City Clerk department by \$8,275 to replace the existing machine which has exceeded its useful life and is malfunctioning incurring significant maintenance costs.
- Decrease personnel services expenditure budgets throughout General Fund departments are due to vacancies.

**LOCAL STREET FUND**

<b><u>LOCAL STREET FUND</u></b>			
<b>Beginning Fund Balance, July 1, 2016</b>			\$ 685,454
	Amended Revenue Budget as of 01/23/2017	4,750,700	
2017-2	2nd Quarter Budget Amendment	<u>8,200</u>	
	Amended Revenue Budget as of 02/06/2017		4,758,900
	Amended Expenditure Budget as of 01/23/2017	4,787,913	
2017-2	2nd Quarter Budget Amendment	<u>8,200</u>	
	Amended Expenditure Budget as of 02/06/2017		<u>4,796,113</u>
<b>Revenues over (under) Expenditures</b>			<u>(37,213)</u>
<b>Estimated Fund Balance for the end of FY 2016-17</b>			<u>\$ 648,241</u>
<b>Estimated Ending Fund Balance, June 30, 2017, as a % of budgeted expenditures :</b>			<b>13.5%</b>

The proposed Local Street Fund budget amendment has a net zero effect on fund balance and keeps the fund within Council set limits. The \$8,200 transfer in from the Municipal street fund is needed to help fund the \$8,200 concrete panel repair study which was conducted in order to compile a city-wide replacement program for concrete panel repairs throughout the City.

**MUNICIPAL STREET FUND**

<b><u>MUNICIPAL STREET FUND</u></b>			
<b>Beginning Fund Balance, July 1, 2016</b>			\$ 4,007,405
	Amended Revenue Budget as of 01/23/2017	5,273,747	
2017-2	2nd Quarter Budget Amendment	<u>-</u>	
	Amended Revenue Budget as of 02/06/2017		5,273,747
	Amended Expenditure Budget as of 01/23/2017	7,901,973	
2017-2	2nd Quarter Budget Amendment	<u>284,239</u>	
	Amended Expenditure Budget as of 02/06/2017		<u>8,186,212</u>
<b>Revenues over (under) Expenditures</b>			<u>(2,912,465)</u>
<b>Estimated Unassigned Fund Balance for the end of FY 2016-17</b>			\$ 397,440
<b>Estimated Assigned Fund Balance for the end of FY 2016-17</b>			<u>697,500</u>
<b>Estimated Fund Balance for the end of FY 2016-17</b>			<u>\$ 1,094,940</u>
<b>Estimated Ending Fund Balance, June 30, 2017, as a % of budgeted expenditures :</b>			<b>13.4%</b>

The proposed Municipal Street Fund budget amendment decreases fund balance in the amount of \$284,239 but keeps the fund within Council set limits. The \$284,239 increase in expenditure budgets includes the \$8,200 transfer out to the Local Street Fund to fund the concrete panel repair program and the \$276,039 capital expenditure budget increase which covers additional costs related to several projects but the majority is to cover the additional Napier/10 Mile Road Intersection right-of-way and construction costs (\$255,000).

**PARKS, RECREATION, & CULTURAL SERVICES FUND**

<b><u>PARKS, RECREATION, &amp; CULTURAL SERVICES FUND</u></b>		
<b>Beginning Fund Balance, July 1, 2016</b>		\$ 1,631,244
2017-2	Amended Revenue Budget as of 01/23/2017	3,191,185
	2nd Quarter Budget Amendment	<u>415,000</u>
	Amended Revenue Budget as of 02/06/2017	3,606,185
2017-2	Amended Expenditure Budget as of 01/23/2017	4,332,276
	2nd Quarter Budget Amendment	<u>342,500</u>
	Amended Expenditure Budget as of 02/06/2017	<u>4,674,776</u>
<b>Revenues over (under) Expenditures</b>		<u>(1,068,591)</u>
<b>Estimated Unassigned Fund Balance for the end of FY 2016-17</b>		\$ 392,458
<b>Estimated Restricted Fund Balance for the end of FY 2016-17</b>		<u>170,195</u>
<b>Estimated Fund Balance for the end of FY 2016-17</b>		<u><u>\$ 562,653</u></u>
<b>Estimated Ending Fund Balance, June 30, 2017, as a % of budgeted expenditures :</b>		<b>12.0%</b>

The proposed Parks, Recreation, & Cultural Services Fund budget amendment request increases fund balance \$72,500 and keeps fund balance within Council set limits. The amendment increases revenues by \$415,000 and increases expenditures by \$342,500. The following highlights some of the significant reasons for the proposed amendment for this fund:

- Increase the state grant revenue budget \$402,500 and increase capital outlay expenditure budget \$575,000 to record the Michigan Natural Resource Trust Fund (MNRTF) acquisition grant awarded to Novi to purchase 12.57 acres of property on Nine Mile Road west of Garfield Road.
- Decrease the capital outlay expenditure budget for the design of Lakeshore Park Project in the amount of \$230,000. This project is being funded by the newly created Capital Improvement Program (CIP) Fund.

**Drain Fund**

The proposed Drain Fund budget amendment creates a transfer in from the Drain Perpetual Maintenance Fund in the amount of \$1,700,000 to cover project roll over costs from fiscal 2015/2016. The amendment also increases the expenditure budgets for the Streambank Stabilization (Bishop Creek & Ingersol) Project in the amount of \$218,104 and the Drain Fund's share of the design costs of the DPS Expansion/Improvement Project in the amount of \$10,626.

**Drain Perpetual Maintenance Fund**

The proposed Drain Perpetual Maintenance Fund budget amendment request creates a transfer out to the Drain Fund in the amount of \$1,700,000 to cover project roll over costs from fiscal 2015/2016.

**Federal Forfeiture Fund**

The proposed Federal Forfeiture Fund budget amendment has a net zero effect on fund balance. The \$19,950 increase in revenue and expenditure budgets is needed in order to properly record the trade-in value (gross up) related to the Glock handgun purchase for all sworn personnel.

**2008 Library Contribution Debt Fund**

The proposed 2008 Library Contribution Debt Fund amendment increases fund balance \$116,322 which records the transfer in from the closing of the 2002 Street & Refunding Debt Fund of \$ 96,000 and the reduction in interest expense of \$20,322 from prior years bond refunding.

**2002 Street & Refunding Debt Fund**

The proposed budget amendment decreases fund balance \$96,000. The City paid the required current year bond debt service payments and paid off the final payment a year early. This amendment transfers out to the remaining balance in the fund to the 2008 Library Contribution Debt Fund (as required).

**Capital Improvement Program (CIP) Fund**

The proposed budget amendment decreases fund balance \$3,290,742. This amendment is required to record the expenditure budgets for the design of the DPS Expansion/Improvement Project in the amount of \$230,640, the design of Lakeshore Park in the amount of \$243,000, and to record the purchase of the Anglin Property in the amount of \$2,817,102

**Water and Sewer Fund**

The proposed budget amendment decreases fund balance \$47,058. This amendment is required in order to record the additional funds needed for the Water and Sewer Fund's share of the design of the DPS Expansion/Improvement Project.

**RECOMMENDED ACTION:**

Approval of resolution to authorize Budget Amendment #2017-2.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Burke				
Council Member Casey				

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

**RESOLUTION**

NOW, THEREFORE BE IT RESOLVED that the following  
Budget Amendment# 2017-2 is authorized:

	INCREASE (DECREASE)
<b>GENERAL FUND</b>	
<b>REVENUES</b>	
Property Tax Revenue	6,667
Licenses, Permits, and Charges for Services	75,000
Other Revenue	(67,559)
<b>TOTAL REVENUES</b>	<b>\$ 14,108</b>
<b>APPROPRIATIONS</b>	
<b>Finance Department</b>	
Personnel Services	(10,000)
<b>Assessing Department</b>	
Personnel Services	(6,000)
Capital Outlay	(2,778)
<b>City Attorney, Insurance, &amp; Claim Department</b>	
Other Services and Charges	(26,000)
<b>City Clerk</b>	
Capital Outlay	8,275
<b>Treasury Department</b>	
Other Services and Charges	(6,000)
<b>Facility Management</b>	
Other Services and Charges	38,180
<b>Facility Management - Parks Maintenance</b>	
Personnel Services	5,089
Capital Outlay	50,000
<b>Human Resources</b>	
Personnel Services	(20,000)
<b>Police Department</b>	
Personnel Services	100,000
Other Services and Charges	(27,410)
<b>Community Development - Building</b>	
Other Services and Charges	63,135

	INCREASE (DECREASE)
<b>Department of Public Services - Administration</b>	
Personnel Services	(17,400)
Other Services and Charges	(10,770)
Capital Outlay	(136,524)
<b>Department of Public Services - Engineering</b>	
Personnel Services	17,400
<b>Department of Public Services - Field Operations</b>	
Personnel Services	(5,089)
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 14,108</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ -</u></u>

<b>LOCAL STREET FUND</b>
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<b>REVENUES</b>	
Transfers In	8,200
<b>TOTAL REVENUES</b>	<u>\$ 8,200</u>
<b>APPROPRIATIONS</b>	
Maintenance	8,200
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 8,200</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ -</u></u>

<b>MUNICIPAL STREET FUND</b>
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<b>APPROPRIATIONS</b>	
Capital Outlay	276,039
Transfers Out	8,200
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 284,239</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ (284,239)</u></u>

**INCREASE  
(DECREASE)**

<b>PARKS, RECREATION, &amp; CULTURAL SERVICES FUND</b>
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**REVENUES**

State Grants	402,500
Property Tax Revenue	5,000
Donation	7,500
<b>TOTAL REVENUES</b>	<b><u>\$ 415,000</u></b>

**APPROPRIATIONS**

691 Capital Outlay	352,500
695 Other Services and Charges	(10,000)
<b>TOTAL APPROPRIATIONS</b>	<b><u>\$ 342,500</u></b>

Net Increase (Decrease) to Fund Balance	<b><u><u>\$ 72,500</u></u></b>
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<b>DRAIN FUND</b>
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**REVENUES**

Transfers In	1,700,000
<b>TOTAL REVENUES</b>	<b><u>\$ 1,700,000</u></b>

**APPROPRIATIONS**

Capital Outlay	228,730
<b>TOTAL APPROPRIATIONS</b>	<b><u>\$ 228,730</u></b>

Net Increase (Decrease) to Fund Balance	<b><u><u>\$ 1,471,270</u></u></b>
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<b>DRAIN PERPETUAL MAINTENANCE FUND</b>
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**APPROPRIATIONS**

Transfers Out	1,700,000
<b>TOTAL APPROPRIATIONS</b>	<b><u>\$ 1,700,000</u></b>

Net Increase (Decrease) to Fund Balance	<b><u><u>\$ (1,700,000)</u></u></b>
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INCREASE  
(DECREASE)

FEDERAL FORFEITURE FUND	
<b>REVENUES</b>	
Other Revenue	19,950
<b>TOTAL REVENUES</b>	<u>\$ 19,950</u>
<b>APPROPRIATIONS</b>	
Supplies	19,950
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 19,950</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ -</u></u>

2008 Library Construction Debt Fund	
<b>REVENUES</b>	
Transfers In	96,000
<b>TOTAL REVENUES</b>	<u>\$ 96,000</u>
<b>APPROPRIATIONS</b>	
Debt Service	(20,322)
<b>TOTAL APPROPRIATIONS</b>	<u>\$ (20,322)</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ 116,322</u></u>

2002 STREET & REFUNDING DEBT FUND	
<b>APPROPRIATIONS</b>	
Transfers Out	96,000
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 96,000</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ (96,000)</u></u>

CAPITAL IMPROVEMENT PROGRAM (CIP) FUND	
<b>APPROPRIATIONS</b>	
Capital Outlay	3,290,742
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 3,290,742</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ (3,290,742)</u></u>

INCREASE  
(DECREASE)

WATER & SEWER FUND	
<b>APPROPRIATIONS</b>	
Capital Outlay	47,058
<b>TOTAL APPROPRIATIONS</b>	<u>\$ 47,058</u>
<b>Net Increase (Decrease) to Fund Balance</b>	<u><u>\$ (47,058)</u></u>

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 a regular meeting held on February 6, 2017

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Cortney Hanson  
City Clerk

Budget Amendment# 2017-2 - February 6, 2017

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
<b>General Fund</b>			
<b>Revenues</b>			
101-000.00-403.001	Property Tax Revenue - County Chargebacks	Property Tax Revenue	6,667
101-000.00-632.060	Police - Contracted Services	License, Permits and Charges for Services	75,000
101-000.00-632.150	Police - OWI Revenue	Other Revenue	(74,000)
101-000.00-633.100	Insurance Reimbursement	Other Revenue	6,441
			\$ 14,108
<b>Expenditures</b>			
101-201.00-704.000	Permanent Salaries	Personnel Services	(10,000)
101-209.00-716.000	Insurance	Personnel Services	(6,000)
101-209.00-983.000	Vehicles	Capital Outlay	(2,778)
101-210.00-910.001	Insurance Deductibles/Uninsured Claims	Other Services and Charges	(26,000)
101-215.00-982.021	Postage Machine	Capital Outlay	8,275
101-253.00-802.100	Bank Service Charges	Other Services and Charges	(6,000)
101-265.00-814.200	Janitorial Contracts	Other Services and Charges	38,180
101-265.10-710.000	Longevity	Personnel Services	5,089
101-265.10-976.103	Equipment Storage Building @ ITC Sports Park	Capital Outlay	50,000
101-270.00-704.000	Permanent Salaries	Personnel Services	(20,000)
101-301.00-706.000	Overtime	Personnel Services	100,000
101-301.00-814.200	Janitorial Contracts	Other Services and Charges	(27,410)
101-371.00-816.007	Building, Trade, & Plan Review Services	Other Services and Charges	56,694
101-371.00-935.000	Vehicle Maintenance	Other Services and Charges	6,441
101-442.00-705.000	Temporary Salaries	Personnel Services	(17,400)
101-442.00-814.200	Janitorial Contracts	Other Services and Charges	(10,770)
101-442.00-976.401	DPS001 DPS Expansion/Improvement Project - design	Capital Outlay	(136,524)
101-442.10-705.000	Temporary Salaries	Personnel Services	17,400
101-442.20-710.000	Longevity	Personnel Services	(5,089)
			\$ 14,108
<b>Local Street Fund</b>			
<b>Revenues</b>			
203-000.00-676.204	Transfer from Municipal Street Fund	Transfers in	8,200
			\$ 8,200
<b>Expenditures</b>			
203-203.00-866.070	Routine Maintenance - Concrete Panel Repairs	Maintenance	8,200
			\$ 8,200
<b>Municipal Street Fund</b>			
<b>Expenditures</b>			
204-000.00-965.203	Transfer to Local Street Fund	Transfers Out	8,200
204-204.00-863.513	116-04 Napier/10 Mile Road Intersection (construction)	Capital Outlay	255,000
204-204.00-974.446	115-009 Segment#9 - Pontiac Trail (Beck to W. Park Drive)	Capital Outlay	17,700
204-204.00-974.452	125-005 Segment#5 - 14 Mile Rd (Beach Walk to E. Lake)	Capital Outlay	3,339
			\$ 284,239
<b>Parks, Recreation, &amp; Cultural Services Fund</b>			
<b>Revenues</b>			
208-000.00-523.005	12.57 Acre Property (Nine Mile west of Garfield)	State Grants	402,500
208-000.00-666.011	Suburban Showplace Soccer Field Project	Donations	7,500
208-000.00-403.001	Property Tax Revenue - County Chargebacks	Property Tax Revenue	5,000
			\$ 415,000
<b>Expenditures</b>			
208-691.00-971.006	12.57 Acre Property (Nine Mile west of Garfield)	Capital Outlay	575,000
208-691.00-977.011	Suburban Showplace Soccer Field Project	Capital Outlay	7,500
208-691.00-977.013	Lakeshore Park - design	Capital Outlay	(230,000)
208-695.00-851.000	Telephone	Other Services and Charges	(10,000)
			\$ 342,500

<u>GL #</u>	<u>Project/Item Description</u>	<u>Budget Category</u>	<u>Amount</u>
<b>Drain Fund</b>			
<b>Revenues</b>			
210-000.00-676.211	Transfer from Drain Perpetual Maintenance Fund	Transfers In	1,700,000
			<u>\$ 1,700,000</u>
<b>Expenditures</b>			
210-211.00-865.130	Streambank Stab - Bishop Creek & Ingersol	Capital Outlay	218,104
210-211.00-976.401	DPS001 DPS Expansion/Improvement Project - design	Capital Outlay	10,626
			<u>\$ 228,730</u>
<b>Drain Perpetual Care Fund</b>			
<b>Expenditures</b>			
211-000.00-965.210	Transfer to Drain Fund	Transfers Out	1,700,000
			<u>\$ 1,700,000</u>
<b>Federal Forfeiture Fund</b>			
<b>Revenues</b>			
266-000.00-665.245	Miscellaneous Revenue - State Forfeiture	Other Revenue	19,950
			<u>\$ 19,950</u>
<b>Expenditures</b>			
266-266.00-740.245	Drug Forfeiture Supplies - State Forfeiture	Supplies	19,950
			<u>\$ 19,950</u>
<b>2008 Library Construction Debt Fund</b>			
<b>Revenues</b>			
317-000.00-676.397	Transfer from 2002 Street & Refunding Debt Fund	Transfers In	96,000
			<u>\$ 96,000</u>
<b>Expenditures</b>			
317-000.00-995.000	Interest Expense	Debt Service	(20,322)
			<u>\$ (20,322)</u>
<b>2002 Street &amp; Refunding Debt Fund</b>			
<b>Expenditures</b>			
397-000.00-965.317	Transfer to 2008 Library Construction Debt Fund	Transfers out	96,000
			<u>\$ 96,000</u>
<b>Capital Improvement Program (CIP) Fund</b>			
<b>Expenditures</b>			
400-442.00-976.401	DPS001 DPS Expansion/Improvement Project - design	Capital Outlay	230,640
400-691.00-977.013	Lakeshore Park - design	Capital Outlay	243,000
400-901.00-971.007	Anglin Property - 10.2 acres 42750 Grand River Ave	Capital Outlay	2,817,102
			<u>\$ 3,290,742</u>
<b>Water and Sewer Fund</b>			
<b>Expenditures</b>			
592-592.00-976.401	DPS001 DPS Expansion/Improvement Project - design	Capital Outlay	47,058
			<u>\$ 47,058</u>