

**SPECIAL MEETING OF THE COUNCIL OF THE CITY OF NOVI  
SATURDAY, APRIL 19, 2008 AT 8:30 A.M.  
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 W. TEN MILE ROAD**

Mayor Landry called the meeting to order at 8:30 A.M.

**PLEDGE OF ALLEGIANCE**

**ROLL CALL:** Mayor Landry, Mayor Pro Tem Capello-absent/excused, Council Members Crawford, Gatt, Margolis, Mutch, Staudt

**ALSO PRESENT:** Clay Pearson, City Manager  
Pamela Antil, Assistant City Manager  
Kathy Smith-Roy, Finance Director  
Rob Hayes, City Engineer

**APPROVAL OF AGENDA**

**CM-08-04-059** Moved by Gatt, seconded by Margolis; **CARRIED UNANIMOUSLY:**  
To approve the agenda as presented.

Voice vote

**AUDIENCE COMMENT - None**

**PURPOSE OF SPECIAL MEETING – 2008-2009 CITY OF NOVI BUDGET**

**1. City Council discussion and decisions regarding the plan priorities**

Mr. Pearson noted that the items of concern after Thursday's discussion had been emailed to Council and they had hard copies of same. He said they had provided copies of the energy evaluation that was done through a State program in December. He noted they had been using it since then to retrofit whatever they could; they also had several recommendations in the budget such as variable frequency drives and they wanted to stay on that track and reduce energy costs. He said they had a discussion of the Nine Mile Road sidewalk and were suggesting that it be held as planned until the 2009-2010 budgets, so it could be done in conjunction with the road work. He said they had a road grant and would apply for a grant for the sidewalks. Mr. Pearson said they had background on the changeable message board sign for City Hall and it would cost between \$45,000 and \$50,000. If Council would like to do that they were planning on fitting that as an alternate with the upcoming entryway signage, which would mean a better cost. The Cadet Program was discussed regarding how they anticipated making sure that the part time costs stay part time, and were segregated like that. Mr. Pearson said in checking with the Chief, if they were going to do this program, it really made sense to stick with the nine allocations, which allowed them to have the 24-7 staffing. He said there were a lot of fixed costs with recruitment and training, so the incremental cost of adding cadets wouldn't be that tremendous. He said regarding on-line permitting, in this budget they were putting the Business Registration Program on line. He asked Council's indulgence in holding off going further in this budget cycle to avoid over committing to something they couldn't deliver in good fashion. Mr. Pearson noted they had identified some additional features that made sense for the Fuerst property, and would continue to add on some attractions that would encourage its use. He said at least another \$83,000 would get the circular pathway and the gazebo and anything above that would be helpful to improve the grounds with landscaping, sod, irrigation, etc. Mr. Pearson said the Cherry Hill Road and

Meadowbrook Road intersection was included in the 2008 Neighborhood Road Program. He said that had been evaluated and would be before Council for award shortly. Mr. Pearson said the Mystic Forest entryway and the Kings Pointe Entryway had both been evaluated and they would do whatever maintenance they could in the interim. He said the new PASER would give them a fresh look and they would look at those for 2009 construction.

Mr. Pearson said Ms. Smith-Roy bundled together a couple of items and a couple of corrections to be made in the final document. He said based on the discussions of Council, there was interest in deferring the Fire Station #1 allocation. If they were going to put that off, they had found three items they would like to remain in the budget which would be Capital Improvements and necessary for the improved functioning of the station until it could be relocated. He said that would be about \$34,000. He said there was also a suggestion of using half of the remaining Drug Asset monies for the police digital video system. Mr. Pearson said with all those changes there was approximately \$293,000 unallocated. He said Ms. Smith-Roy offered a five year comparison of the General Fund Balance audit to estimated, which had also been requested.

Mayor Landry said they could now have an open discussion and motions could be made if Council wanted to suggest that something be removed or added to the budget, as the budget was still as it was when Council originally received it. He said the information Mr. Pearson had presented was in response to Council's questions of last Thursday.

Member Gatt thanked Mr. Pearson and his staff for the late hours and hard work since the meeting a couple of days ago. Regarding the Nine Mile sidewalk, he totally concurred with the City putting this off until next year and bundle it with the improvements on the street. Member Gatt noted Administration needed a longer turn around time between budget meetings.

**CM-08-04-060      Moved by Gatt, seconded by Margolis; MOTION CARRIED:**  
**To eliminate \$106,000 of the \$140,000 proposed for the study of Fire Station #1 and to put the \$106,000 towards Council's goal of landscaping and constructing pathways at the Fuerst Farm, and the remaining \$34,000 to be used to replace the apparatus room sound system at the existing Fire Station, to install the keypad security system and to upgrade electrical service at Fire Station #1. Also, to use half of the remaining forfeiture dollars to fund the Police digital video system and the other half coming from the General Fund, and that the \$82,500 that would be saved in this move would be put towards the Fuerst Farm and the goal of landscaping and constructing pathways. Also, when the audit was completed in October, at that time, Council would consider how much of those dollars would be put toward the Fuerst Farm. In addition, the funding, purchase and installation of an Interchangeable Message Sign for the Civic Center not to exceed \$50,000 and to be consistent with the new entryway signs. Also, that the remaining proposed items in the budget be approved as presented. In addition, that the resolution of a Fiscal Pledge to the Taxpayers be recognized as no longer binding and excluded from the adopted budget document.**

## DISCUSSION

Member Crawford asked Member Gatt to consider a friendly amendment to the motion to include the funding, purchase and installing of an Interchangeable Message Sign for the Civic Center not to exceed \$50,000 and to be consistent with the new entryway signs. Member Gatt agreed.

Member Margolis thanked the staff for once again listening to Council and coming back with a great plan. She said she assumed what was being included in the motion was the fact that the staff came back with two estimates, one at \$17,726 that was available in the budget coming over from last year, and another \$90,000 that was a lowered estimate on another piece. She said so there was another \$107,000 there, which was included to be allocated to Fuerst Farm. Member Gatt said it was. She said Member Gatt had said that anything leftover after the audit in October be allocated to the Fuerst Farm and she asked for a friendly amendment that said at that time they would consider how much of that would be put toward the Fuerst Farm. Member Gatt agreed. She said she would fully support the motion and thought it a great compromise based on the information they had. Member Margolis agreed a longer turn around time was needed.

Member Mutch said going through the Police Department line items he couldn't find where the money for the digital video system was being allocated. He asked Ms. Smith-Roy to show where that was accounted for. Also, what was the amount of money currently in the Forfeiture Funds, because in the line item the department had highlighted a number of items that was to come out of the Forfeiture Fund. Member Mutch thought, in terms of allocating excess money in the budget, there were a number of areas of priority that Council had talked about in the goal setting session and at the Council table such as neighborhood roads. He said he would not support the motion as it stood because he thought they needed to put more dollars towards the roads. He said one of the Council members noted at the last meeting that it had been a particularly rough winter and some of the neighborhood streets were in pretty sad shape. Member Mutch stated he would like to see, first and foremost, dollars towards that purpose. Member Mutch agreed a longer turn around time was needed.

Ms. Smith-Roy said the digital video was not included in the budget. Member Mutch said another item in the Police Department budget was the \$141,000 for the upgrade to the E-911 system. He commented he didn't see that in the budget either. Ms. Smith-Roy responded that she believed the E-911 was included with another item that had to do with the two years, and if he looked to the detail they presented him with the percentages, comparison from one year to the next, on the third page of the General Fund Appropriation Summary. She said looking at the percentages for the Police Department for personal services, he would notice that 5.53% was the percentage between the estimated and the prior year, and then it went to .21%. She said they actually made adjustments for the change in turn over in positions and looked at longevity for those positions that had turned over. She said that savings was put toward that E-911 system. Ms. Smith-Roy said in the final budget there were two numbers that would change and that was under the 2007-2008 estimated for Personal Services and that number would go down. She said the number for Personal Services under 2008-2009 proposed would go up as well as the capital outlay. Ms. Smith-Roy said it was directly attributed to them going back and looking at those individual positions. She said the budget estimate for the prior year was off considerably and it was pointed out to Council during the audit and the numbers just didn't flow through in this specific detail. She said it was clear that they were not going to have a .21% increase based on contractual obligations; they just left them in the other year.

Member Mutch asked if she was saying the number this year would be lower than projected for personal services, which were employee costs, salaries and benefits. Ms. Smith-Roy said yes, unfortunately it didn't get changed in the final document for those adjustments. Member Mutch said for the purpose for the Council setting the budget, the number in there for Personal Services was going to do what. Ms. Smith-Roy said the Personal Services under the estimated column was going to go down; the Personal Services number for the proposed column would go up and the Capital Outlay would go up. Member Mutch said he assumed if both of those were increasing that meant that the bottom line number for expenditures would be higher. Ms. Smith-Roy said yes, it would but it was offset by the amount of Fund Balance available from the current year. Member Mutch asked what the difference was. Ms. Smith-Roy said the numbers would come out exactly the same. She said they went back and looked up Personal Services and attributed them to a specific item. Member Mutch said then the bottom number of \$11,569,645 was not going to change. Ms. Smith-Roy said no, she was saying that would go up but it would be offset by the \$11,329,000 going down and would flow through to the Fund Balance available for appropriation. Member Mutch understood that if they didn't spend as much in the current budget year, it left more to spend in the upcoming budget year. However, it still didn't answer the question of roughly \$300,000 in the Police Department for the E-911 system and the digital video system and whether or not that amount would be above and beyond this number. He said currently they were not accounted for. Ms. Smith-Roy believed he was correct on the digital video monitoring because of an error. Member Mutch said neither of those things were accounted for, in terms of the numbers in front of him. He could understand that if they plugged those in and then there was additional Fund Balance in this year's budget, it might help offset that. But, they didn't have any numbers to know that or to know how much that would be. Member Mutch said Ms. Smith-Roy was telling him they would get at least an additional \$141,000 out of reduced that would cover the E-911 system but they didn't have the \$165,000 for the digital video system. Ms. Smith-Roy said he was correct, and Member Mutch said that was something they needed to find if they were going to pay for it. Or, if the suggestion was as Member Gatt said, \$82,500 then Council had to find another \$82,500 in the budget to pay for that. Ms. Smith-Roy said that was one option and another would be to do the bulk of it from the \$155,000 Federal Forfeiture Funds that were available, which would leave approximately \$75,000 they would have to make up for. He said looking at the Forfeiture Funds the revenue showing was \$158,000 and expenditures were \$158,000, and those were for flat screen TV's for the Emergency Operations Center, Canine Program, Patrol Vehicle modernization, overhead LED light bars, vehicles and motorcycles for a total of \$158,000. He asked if the \$158,000 revenue and expenditures were current working numbers. Ms. Smith-Roy said they were. Member Mutch said Member Gatt was suggesting they take \$82,500 out of the Federal Forfeiture Funds but right now it was entirely allocated. He asked from where the money would come from or was it assuming other items would be cut that the Chief had recommended. Ms. Smith-Roy said no, the Federal Forfeiture Fund Balance after these items would be \$155,000. Member Mutch said then Member Gatt's suggestion of \$82,500 would then leave about \$73,000. Ms. Smith-Roy agreed. Member Mutch thought it would have to go back to the motion maker to figure out how to work out the numbers, and the \$165,000 somewhere in the budget had to be accounted for.

Member Staudt said in 2006 there was \$262,000 in actual fuel costs and \$300,000 was being budgeted this year for just three main items. He asked if that was enough, and how do they deal with the issue of fuel going up exponentially at times. Mr. Pearson responded that last

year's winter impacted some of those fuel costs that fluctuate from year to year. He said there was about 25% built in and that was a pretty healthy bump. Ms. Smith-Roy said when they purchase fuel they purchase at a wholesale rate so they don't pay the taxes and the incremental costs. She said they were comfortable with this.

Mayor Landry asked Ms. Smith-Roy with the motion on the floor, how much money would that leave to be allocated toward the Fuerst Farm. Ms. Smith-Roy replied \$222,000. Mayor Landry said looking at the April 17th memo from Mr. Pearson, was he correct that money that was being proposed would be allocated from the top down in that priority as far as what they proposed to do on the Fuerst Farm. Mayor Landry said they would first do the north west entry plaza, then the asphalt and as much of the village green as possible. Mr. Pearson said exactly. Mayor Landry said and obviously remove the buildings, and that depending on the contingencies, they could do most of this. Mr. Pearson said the only item that wouldn't be completely filled with the estimates they had would be the landscaping, irrigation and sod. He said anything they could save toward that would be good. Mayor Landry said as he understood Mr. Pearson's proposal with respect to the Fuerst Farm, these activities would not be done immediately because they would wait and hopefully enjoy some economies of scale with the Library when their heavy equipment dirt movers were there, and it would probably be done next spring. Mr. Pearson thought it would all be in the spring of 2009 even the movement of the Township Hall so that it could all be done in conjunction.

Member Margolis asked where they were in terms of allocation for the digital video system. Ms. Smith-Roy said that would be 100% covered by the adjustment in the two items she had pointed out. She said there would be \$222,000 for the Fuerst Farm, and \$50,000 for the Civic Center. Ms. Smith-Roy said the \$50,000 for the Civic Center would be combined in that \$222,000 allocated.

Member Mutch said Member Gatt's motion was to approve the budget with the amendment he had proposed. Member Gatt replied the motion was to accept the budget as amended. Member Mutch said he had more questions. Mayor Landry said the budget could not be approved at this meeting because there had to be a public hearing. He said Member Gatt's motion was those would be the only changes he would suggest, and if that motion passed, they were done today.

Member Mutch said he couldn't find a line item that accounted for the following:

The \$75,000 for a voice mail system - General Administration Section

The \$145,000 for a front end loader - DPW

The \$30,000 for a hot patch machine - DPW

The \$73,750 for the Township Hall relocation

The \$47,500 for improvements - Fuerst Farm that were supposed to be in Buildings and Grounds.

Member Mutch suggested Council look at the CIP sheet, which was the first sheet in the book and where these were listed. He noted the Fire Station, the entryway signs were the previous items identified as not being allocated in the budget.

Ms. Smith-Roy said she thought the problem was when they approached this they looked for areas of savings and most of these items were incorporated in another line item when

adjustments were made. She said they were netted in the formulas of the numbers. For example, the front end loader was incorporated and they used the offset of the allocated to other funds number to offset that. She apologized that some of the items did not flow through into the details. She offered to send Member Mutch a corrected detail. Member Mutch asked if she was saying that all these items were allocated. She responded yes, they were all included. Member Mutch asked where the \$75,000 for upgrade to the voice mail system in General Administration was accounted for. Ms. Smith-Roy replied it was included in an adjustment made to interest earnings. She said she needed to provide him with additional details and could provide him with a revised worksheet. Ms. Smith-Roy said as they went through and identified areas that could be adjusted, and the DPW, for example, for the front end loader, was included in the adjustments made to transfers to other allocations to other funds for equipment and personnel. She suggested she provide him with the account detail prior to the formal budget meeting, which would be updated for everything that happened at this meeting.

Member Mutch said he would prefer if they were having the discussions, that they had the detail. He said when they were provided documentation that spelled out specific items, at the minimum Council should be able to look at the line items and see exactly where they were allocated. At this point, he appreciated the explanations that they were shown in there, but they had almost over \$300,000 in items between the last meeting and this meeting that had been identified and simply weren't allocated. He said that was too much for him to feel comfortable with to go forward and approve the budget. He said there was a discussion about what had been included in the budget and what was being covered by Forfeiture Funds. He asked if the \$165,000 for the digital video system was coming entirely from the Forfeiture Funds. Ms. Smith-Roy said \$155,000 of it would come from the Forfeiture Funds, and \$10,000 would be coming out of the Police Department.

Ms. Smith-Roy apologized and said the Administration and staff rehashed the numbers over and over again, much like Council did, and they revisit those estimates right up until the day they publish the document. She said they keep a separate running tab, much like Council was doing, of those adjustments and then put them into the details. She said this was clearly a Finance Department error and before they had to make their determination they would have the corrected account detail. She believed that in total the budget was correct. Mayor Landry said that was why they were having this meeting today.

Member Mutch commented that one of the items touched on was Neighborhood Roads and they had discussed those needs and one of the things he wanted to highlight was the amount they were allocating towards that. He said in 2006-2007 the Council allocated \$1.5 million towards Neighborhood Roads. In 2007-2008 \$2.5 million was allocated and in both cases those numbers reflected actual construction costs. He said on top of that \$1.5 million and \$2.5 million they allocated \$200,000 for engineering in the next budget year, which allowed the engineering work to start far enough in advance to get the construction done in a timely manner. In the current budget that Council was considering and approving, they were only allocating \$1.3 million for construction for Neighborhood Roads and an additional \$200,000 for engineering for next year. When people heard the discussion at the last meeting where they said they did \$1.5 million in 2006 and \$1.5 million this year, he thought they had to be sure they were doing an apples to apples comparison. He said construction allocation in this budget for roads was only \$1.3 million. He said they were actually spending less for construction in a year he thought they should be doing more. He thought they needed to at

least match what was done two years ago, depending on the information they received from the field and the PASER Study, maybe even a greater amount because it was a priority for residents. He said he looked at the Fiscal Analysis again and what jumped out at him was when the expenditures were set for this budget year for the projections, it was based on a number of \$30.8 million. He said the actual expenditures were going to be \$32.6 million, give or take \$200,000 based on what Council approved today, so as they projected out further that was almost a \$2 million increase in expenditures that was not reflected in the Fiscal Analysis. He thought that had a potential to raise concerns. Another element of the Fiscal Analysis was that the Building Code fees would zero out after three years when they would probably see it happen in the next budget year. He said that was a concern because as those fees dropped off and Council didn't make changes in allocations in Building, those were costs that the General Fund would have to absorb. Also, there didn't seem to be any significant Capital projects built into the Fiscal Analysis and how was that going to be done. He said if the Fiscal Analysis only reflected the operating costs, which was the only thing they could accurately project out over three years, they would have to recognize that as Fund Balance decreased and revenues flatten out that finding that money to do those Capital projects would be challenging. He said they had discussed the Fund Balance and what they had decided in December. He said he looked at the Fund Balance numbers over the past couple years, and one thing that stood out was in 2006-2007 the Fund Balance had \$5 million that was undesignated, in 2007-2008 there was \$5.7 million that was undesignated and it took the Fund Balance to 16.8%. He said in this years Fund Balance the undesignated portion was only \$4.8 million and that reflected 14.9% of the budget. He read the minutes from that meeting and he wanted to read a couple comments that illustrated his concern about those numbers. "Ms. Smith-Roy said there would be no commitment from one Council to another. It had to be a buy in from one City Council to the next. There are other ways, if they added a sentence to the end of the policy, that would allow them to designate so they could reduce the undesignated portion to the 14 to 18% and use the designation so Council could designate \$1 million this year towards the project and that wouldn't count in that percentage." Member Mutch's response was "he thought that was the most appropriate way for Council to take on a project and fund it in that nature was to designate. Member Mutch said he wouldn't want them to informally say yes, they would pay for the next Fire Station but in the budget it appeared to be an undesignated Fund Balance. He thought that as Council, they would have to be diligent and understand that if they wanted to take that approach, they couldn't have a Fund Balance that was only 14% or they would never set aside enough money to do those kinds of projects. He said they had to strive to be in the 20 to 22% range and maybe setting aside a part of that to be designated for a project that would be funded over a two or three year period." Member Mutch said he stood by those comments and he did vote for the motion that set the Fund Balance range at a 14 to 18% but with the understanding that when they designated it would not be counted towards that percentage. He said from the strict numbers viewpoint, they were at 14.9% undesignated so technically they were within their policy. However, he thought if they looked back over the past couple of years, it was a lower amount in terms of undesignated Fund Balance than they had carried before, especially if compared to the budget two years ago. He said that was a concern he had moving forward, and he had expressed at the last meeting that if they were setting aside \$1 million and designating it for future projects, what were the projects and what did they hope to achieve in the next two or three years. He said the intent next year would not be that they had an extra \$1 million to spend. His understanding was that they would combine that \$1 million with \$1 million next year, and in year three have enough money set aside to do project X, whatever that was. The project had

not been designated, didn't have a number attached to it and he thought it was something the Council needed to do.

Member Mutch asked how far west of Cherry Hill Road the improvement would go. Mr. Hayes said it would be to Kings Pointe to Meadowbrook. Member Mutch said he couldn't support the motion as currently proposed because of all the issues he had spoken about. He would not vote for anything that justified the demolition at the Fuerst Farm property. He thought some of Council's goals could be achieved there but to spend \$100,000 on an entryway feature or the village green concept, which would not include the use of the school property, and then tell residents their potholes could not be taken care of this year was a prioritization he could not support.

Mayor Landry thought it was important to look at the budget from a big picture standpoint. He commented that it was proper to look at trends and compare what was spent last year on roads to what would be spent this year. He said that was important but it was more important to understand why they spent money that they did last year or two years before. Mayor Landry said a year or two ago Council made a commitment to spend \$1 million extra on roads over and above the usual allocation. He said they couldn't now look at that number and say they were spending less on roads this year, because when they did that it was an effort on Council's part to spend more money to show the public they were concerned about neighborhood roads. He said Council decided they were going to put more money, one time, to make an extra effort that year to look at the roads. Mayor Landry said they couldn't afford to do that every year. He said they were not spending less on neighborhood roads; they were spending what they usually spent on them. If anyone had any doubts about this Council, look at what they did two meetings ago when they discovered they had extra money they put it right back into the roads. He thought that the record showed Council's commitment to neighborhood roads and if they look at the trends and why those numbers appeared on the page, it became evident why they were doing what they're doing.

Mayor Landry said they were spending more money than was spent in prior years because Novi was a growing City and was attracting major hospitals, malls, ITC World Headquarters, infrastructure. He asked how they could, as a City, try to attract businesses to increase the tax base and not spend more money one year to another, it can't happen. He said just look at inflation. He said they had to spend more money to do the things that every citizen wanted to do, but they had to be frugal and fiscally sound about it and that was exactly what Council was doing. Mayor Landry said if anyone questioned the fiscal soundness of this budget, he wanted to point out one glaring fact. He said the voters authorized Council to tax them more for a new Library, and they were not going to tax them more and the City was going to absorb it. He said they told the people they thought they could pull it off and they were doing it in this budget and he thought that said it all. Mayor Landry said there was \$1 million in Fund Balance designated for Capital Improvements. He said they were talking about a fund, they were not talking about an invoice, this was not a check they would write, it was a fund. He said the way to deal with Fund Balance was to set a pot aside as a Rainy Day Fund. He said as they set it aside they were not committing it to anything, but as they set it aside they say to themselves let's think about a portion of that towards Capital Improvements. It's not committed and if something happened in the future, like the bridge on Grand River that was a Capital Improvement. He said all Council was saying was they weren't committing it, it was still Fund Balance and applied toward the 17.9%. He said that was prudent fiscal planning in his opinion. Mayor Landry said when looking at the big picture, he thought the budget was fiscally sound and they



were doing exactly what any municipality should be doing. He thought they were doing a fine job in these economic times and still attracting the businesses they were attracting, and providing the services that the residents needed. He said they had put out questionnaires asking what residents needed and they were addressing those needs.

Mayor Landry stated he was in favor of the motion, although he would like to ask for a friendly amendment. He said several Council's ago in 2005 while considering the budget for 2005-2006 there was a resolution adopted that said Council would commit to limiting how they would spend excess Fund Balance. He said it was called a Fiscal Pledge to the Taxpayers by that Council and was on page 21 of this budget. Mayor Landry said no Council could bind any other Council and he just wanted to add a friendly amendment because this Council had changed the Fund Balance range from 8 to 12% to 14 to 18%. He stated he wanted to recognize that that resolution was no longer effective, and as a matter of law, it couldn't be effective beyond that Council. However, it showed up in this budget and he didn't want anyone to read it and believe that it bound the Council because it didn't. Mayor Landry stated he had the minutes from that meeting of Saturday, April 16, 2005 and when that motion was made for that resolution the discussion was "Mayor Pro Tem Landry said this was an amendment that Council will strive to do, there was no requirement that we do anything, correct? Member Lorenzo said he was correct, it was a stated goal" He said it wasn't even binding, it was a goal on that Council. When that budget was adopted at the meeting on May 9, 2005 the discussion in the minutes was, "Mayor Pro Tem Landry commented that he had always taken the position that it was not appropriate for one City Council to control what another City Council did. Council members were elected for a particular term and new people would be elected in the fall and every two years thereafter. Every City Council should have the ability and freedom to deal with the budget as they choose. He said that he could support this because he believed this was a pledge from this City Council and not binding on any future City Council's who should have the freedom to deal with situations as they arrive." Mayor Landry thought it was clear at the time and he wanted to make it clear that it was only a goal not binding even on that Council and didn't think it should show up in future budgets. He asked for a friendly amendment that it be recognized that the resolution was no longer binding.

Member Gatt accepted the friendly amendment.

Member Crawford asked if the summary totals were correct, and Ms. Smith-Roy said they were. Member Crawford said the only error was out of the couple hundred line items that were listed in the documentation. Ms. Smith-Roy said yes. Member Crawford said she represented the City at the Michigan Municipal League all day work shop and the information applied to this budget. She said what the message was that a community, in order to survive the economic challenges and other challenges, and what would make them more survivable was their image. She said all the things they did in the City that pertained to Novi's image was critical to surviving and what would make people want to move to Novi and make businesses want to come and do business. She said the image was important and so was the web site. She thought they had done a lot of those things and while talking to other communities at the work shop, she felt very proud because of all the things Novi did, they were on the right track. Member Crawford thought the Fuerst property was another image they needed to look at and entryway signs and the new brochure they would adopt for Parks and Recreation, these things were all a part of Novi's image. She said Novi was in keeping with not only trends but what the goal was nationally for communities. She noted other images were quality of life, parks, waterways and all those things were high on the list of priorities when businesses

moved to this community as well as schools. She said all of the things they were doing in this budget were in keeping with what would make Novi more marketable.

Member Gatt said Kathy Smith-Roy was probably the finest accountant in the State of Michigan and Novi was very, very lucky to have her. He said there was one mistake identified today and if everyone one of them had seven people pouring over their work for hours and hours, he could assure everyone they could find more than one mistake made on their work. Member Gatt said to Ms. Smith-Roy that she was the best and asked her not to feel any remorse over one mistake that was not going to create any problems for them, and he thanked her for her work and her staff's work.

Member Margolis echoed Member Gatt's statement. She said she had talked before about continuous improvement and said if she knew Kathy Smith-Roy well, she was already looking at how she and her staff could learn from this. She said as a manager that was what they did as a part of the process. She commended her for her work on the budget. Member Margolis thought it was so important to understand the concept of Fund Balance. She said they couldn't have it both ways. The Fund Balance every year, in terms of the estimated Fund Balance, which was where they went into the budget, and then also the audit continued to rise every year as they had gone through this process. She said what they ended up doing was making a commitment to plowing that overage, the money saved every year, into Capital Improvement non-recurring items. Then, if they took that and started playing apples and oranges with the Fiscal Analysis, and took that because they saved money and could plow it back into the community. Then that number was put back into the budget as expenditures and that was where the confusion came from regarding how much money they would have left in Fund Balance. Member Margolis said it was almost like they were penalizing City staff for saving money by then coming back at them and saying "because you saved money and were able to plow that in, oh my gosh they're running through money fast." She said it was apples to oranges and it was really important that they be clear about that. She said they had a range on their Fund Balance, which was 17.99% Fund Balance, which was .01 away from the top of the Fund Balance range. She noted they did have the ability to designate above that amount and Member Mutch was talking about wanting Council to designate. She said they can't have it both ways because if they designate, then they would be chewing through more Fund Balance. She thought it was prudent right now not to specifically designate with the economic climate, and she was very comfortable being undesignated at the top of the Fund Balance. She thought it was prudent and to go past that didn't make sense. She spoke to the idea of the Building Code money and that it was reducing. She said it was important to understand that of course if they don't have more Building Code money coming in, then they would have to take a look at expenditures in that area so they could reduce expenditures. She said that might mean staff by attrition or spending, but the point was right now there's money there because they had collected money to take care of these huge projects that were going on now. She said they could all say the sky would fall in three years, but it didn't do any good to talk about that at this point. She said expenditures couldn't be reduced and they had that money because of the need to take care of these huge projects. If when that money was gone and these huge projects were not coming in, then they would have to take a look at it. She was sure the hospital and the other huge projects they had needed the service level that they were doing and the money was there to provide the service level that they had. Member Margolis said she would support the motion. She said, regarding roads, she agreed with the Mayor and spoke about that very clearly. However, he spoke at the last budget about this being a balanced budget not just in terms of dollars but in terms of projects. She said they could play

this game that roads are most important and could put millions and millions into roads and neglect other things in the City. She commented that was not their job; their job was to look across the board at things they could do. She said roads were very expensive and for the small amount of money they were putting towards the Fuerst Farm, the bang for the buck they could get in terms of how this City appeared, the amenities provided to the community compared to what could be done with that small amount in roads was a benefit to this community.

Member Staudt agreed with Member Crawford on the quality of life issues and thought they were very aggressively pursuing those. He thought it had a huge bearing on the ability to draw in residents to fill the empty homes in Novi and as empty homes were filled and demand increased that was the definition of pushing up property values. He thought it was critically important to continue on the quality of life. Member Staudt spoke about urban myths and said they were perpetuated by repeating misinformation in many forms. He thought what was going on with the Fund Balance issue was the beginning of an urban myth and that was the premise that Council was going to continue to spend at existing levels without any regard to the current economic conditions at the time of the budget. He said that was just completely untrue. He said they would always keep the Fund Balance in mind as they were deciding their funding priorities. In the long haul, he would love to see that they were putting \$1 million a year away and were forced to go over that 18% threshold, and maybe it would go up to 20 or 22%. However, the idea that Council would draw down the Fund Balance on an annual basis for the next two or three years to pay for the basic core services of this City was just not true; he thought Council had exposed this myth and would continue to do so in the coming years. Member Staudt said he would support the budget as presented and amended and appreciated all the work that had gone into it. He stated he was very confident that the budget was very accurate.

Member Mutch agreed with the comments of Member Staudt in terms of how to address the budget going forward. He said they would deal with the conditions present at the time they were approving the budget. However, having been in a government organization that faced some of the challenges that Novi might face, and seeing the right way and wrong way to address those, one of the things he learned was that they needed to start dealing with those situations now, if there were expectations that they were going to occur. He said it was much more painful to do wholesale layoffs of employees and reductions in services when the money was not there. Member Mutch noted he had said that during the last two budgets and one of the points that he made was that they would see revenues flattening out and that had happened. He said Mayor Landry said costs would increase each year and they had to pay for them and that was absolutely right. However, what they couldn't control was that revenues don't necessarily increase each year. Member Mutch said in their households when they weren't making more money each year but costs were going up, they had to cut somewhere. He said that was the challenge they were facing. Regarding Fund Balance, he would highlight again that there was a difference in terms of the percentages in terms of designated and undesignated. He thought if they didn't understand the difference between the two, it would be helpful to go back and look at those numbers because it had decreased as it's reflected in the budget. Member Mutch said the Fiscal Pledge talked about going back and revisiting where the money was going to be spent at audit time. He said what the pledge said was that anything that was additional at the time of the audit would be applied toward a Headlee millage rollback, enhancement of the annual Neighborhood Road Program or unfunded retiree health care accrued liability for the next fiscal year. He said during the two and a half years he had

been on Council they had never revisited it at audit time and had never made those allocations. So, in a sense, in the past two years Council had not strictly followed it as a policy. He thought it was an important statement to the public that would tell them how their money would be spent during the year, and if there were additional funds at audit time, this was how they would be allocated. He said if they choose not to follow this pledge, he would like to see Council say when they had additional money what the priorities were or would it be whatever program or service garnered four or five votes of Council and that was the priority of the day. He thought having some direction would be helpful to the community so they knew where Council wanted their tax dollars to be spent.

**Roll call vote on CM-08-04-060**

**Yeas: Crawford, Gatt, Margolis, Staudt,  
Landry  
Nays: Mutch  
Absent: Capello**

**AUDIENCE COMMENT - None**

### **ADJOURNMENT**

There being no further business to come before Council, the meeting was adjourned at 9:43 A.M.

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David Landry, Mayor

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Maryanne Cornelius, City Clerk

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Transcribed by Charlene Mc Lean

Date approved: May 12, 2008