

STRATEGIC GOALS, PRIORITIES, & ISSUES



in·no·va·tive

adjective

1. (of a product, idea, etc.) featuring new methods; advanced and original.
"innovative designs"
 - (of a person) introducing new ideas; original and creative in thinking.

FY 2021-22 BUDGET MESSAGE

July 1, 2021

Dear Honorable Mayor, City Council, and Residents of the City of Novi:

I want to start by thanking our Finance team, led by Director Carl Johnson, along with Deputy Finance Director Sabrina Lilla and Budget Analyst Jessica Dorey. They, alongside Assistant City Manager Victor Cardenas and each Department Director, continue to plan, research, document, and execute Novi's high standard for budget preparation and implementation.

The priorities and strategic goals in the Annual Budget and Financial Plan are similar to but also very different from prior years. The priority last year was to ensure economic stability, invest in the City and provide the highest level of service to our customers during a pandemic. The priorities within the current budget are similar but come with much more certainty and less unknown. The City Council continues to operate an open and transparent government, listening to the residents and taxpayers in open forums and incorporates their recommendations into the short-term goals presented within this document.

As in most budgets, items can be arranged into several categories to accomplish the City Council's goals. I think you will find economic factors taken into consideration, strategic goals being met, and policy issues are being addressed in this budget.

By no accident are we innovative.

You may not expect to find in a budget document's introduction the word 'innovative.' If you look in a dictionary, you will find innovative is an adjective describing new methods, introducing new things, and creative thinking.

Our team has continually shown innovative responses to unpredictable events and the way in which we find and implement solutions. Under the leadership of its City Council, the City of Novi has also shown innovation as we transform those solutions into practical reality. A demonstration of this success is Novi being named the second most innovative community in the heartland and essential to the future of American innovation by Entrepreneur Magazine.

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Economic Factors

In this budget, you will find five main economic factors. First, the conservative budgeting of property tax revenue, state shared revenue, and Building Department revenue as the Michigan and U.S. economy slowly rebounds, assisting us in maintaining the sixth-lowest tax rate for cities in the State of Michigan. Our tax rate has remained unchanged for the fourth year in a row; the last change occurred when citizens approved the Capital Improvement Millage (CIP) to undertake larger dollar items such as facilities and equipment.

The second economic factor is the City's debt obligation; it continues to be at an all-time low \$13,820,000. This debt is estimated to be paid off in Fiscal Year 2027. This financial footing places the City of Novi in a great position to withstand future unforeseen events and plan for continued growth.

A third factor is the prior year's budget demonstrating the survival of an unforeseen and unprecedented economic shutdown. This current year budget proposal has increased certainty at lower revenue levels, but the City of Novi continues to have a balanced budget in our current year as well as the next three years (excluding one-time grant revenue).

The fourth economic factor is the City's Parks Recreation and Cultural Services (PRCS) operation has survived the mandated shutdown/pandemic with offering limited programming and is currently ramping up for residents who are anxious to get back to "normalcy."

Finally, the anticipated census increase of over ten thousand new residents during the past decade contributes to the last economic factor. The realized number of new residents will provide an increase in State Shared Revenue (SSR) and road funds (Public Act 51) and help offset short-term losses due to the forced shutdown of the economy, assisting with the overall long-term financial health for the City.

Strategic goals

There are two strategic goals that deserve highlighting. First is the investment in the City of Novi's vast road and non-motorized networks. We have placed \$8.3 million into FY 2021-2022 to continue City Council's desire to improve mobility for Novi residents and businesses. This budget also paves the way for \$26.9 million to be invested in our roads and sidewalks over the next three years. Other significant infrastructure projects but lack the visibility due to them being below ground are the water, sewer, and drain systems that the City of Novi improves and maintains. In FY 2021-2022, this budget allocates \$5.6 million on these critical infrastructures. What residents and stakeholders alike do see are our parks and the continued upgrades to facilities and outdoor amenities. We will be investing at least half a million dollars in our parks going forward and possibly more with the grant opportunities and City Council's continued efforts to offer the best facilities for our residents.

The second strategic goal is ensuring we are good stewards of what we already have. This budget lays out investments on average of \$1.2 million annually over the next three years in facilities, equipment, and technology. This includes a redesign of the City of Novi Clerk's Department in response to recent changes in the State of Michigan's election law and to improve workflow, taking advantage of technology to deliver a higher value to our citizen's experience.

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Policy Issues

I would like to point out three main policy issues included in this budget. City Council set a goal of focusing on staff retention and succession planning. This budget continues to fund advanced training across disciplines and focus on building leadership at all levels of our operation. With the mandatory shutdown of our economy, our team responded well, with each unit pushing off employees' replacement through attrition. As the need for face to face interactions diminished due to lockdown orders, remote work became prevalent allowing us to stretch our existing workforce and realize budgetary savings. With the State of Michigan allowing more and more freedoms and people's comfort level to getting back to "normal" we will be monitoring service levels and have budgeted for gradual filling of positions to meet the demands for service on an individual position basis. During this entire process, we have evolved and are reworking how service is delivered and how each department is staffed for optimal performance.

The second policy issue is we continue funding long-term pension liability. We increase the funding by more than \$800,000 from the prior year's budget. Despite the negative pressure of the changing actuarial assumptions, our funded level increased from 61% to 63%. Our efforts have paid off in the Other Post-Employment Benefits (OPEB) as we remain fully funded at 109%. This puts the City of Novi in the top 10% in the State of Michigan.

The last policy issue worth highlighting is City Council's focus on being a safe community. We are forecasting over the next three years to purchase a new fire response vehicle annually at the cost of approximately \$950,000 each. These investments provide the best equipment to respond to our businesses, visitors, and residents and help us manage our long-term maintenance and out-of-service time for each of these assets. In the near future, we also look forward to the addition of another code enforcement compliance officer. This position will help build off the successful pilot program that resolved 80% of code compliance issues without tickets or court involvement. We based this on our similar success of community policing model and techniques to solve the problem, not just the symptom. Finally, we look to increase our police vehicle inventory. This would give us the opportunity to extend the longevity (years not miles driven) of our fleet as well as increase the razor-thin margin we have between vehicles needed on the road versus total inventory.

Steven Jeffes, Marketing & business expert, once said, "Innovation is the unrelenting drive to break the status quo and develop anew where few have dared to go." The City of Novi has been and continues to be on the tip of the sword as a model organization for others to imitate as a fiscally sound and sustainable community.

Respectfully submitted,



Pete Auger
City Manager