FINANCE AND ADMINISTRATION COMMITTEE AGENDA

CITY OF NOVI
September 09, 2024 | 5:30 PM
Mayor's Conference Room
Novi Civic Center | 45175 Ten Mile Road
(248) 347-0445

CALL TO ORDER

ROLL CALL - Mayor Fischer, Mayor Pro Tem Casey, Councilmember Staudt

APPROVAL OF AGENDA

MINUTES

August 12, 2024 Minutes

PURPOSE OF THE MEETING

Fund Balance Policy

PUBLIC COMMENT

ADJOURNMENT

NOTICE: People with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk (248) 347-0456 at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.

CITY OF NOVI
Finance and Administration Committee
August 12, 2024, 5:30 p.m.
Mayor's Conference Room | 45175 Ten Mile Road
(248) 347-0445

CALL TO ORDER 5:33 p.m.

ROLL CALL: Mayor Fischer, Council Members Casey, Staudt

PRESENT: Mayor Fischer, Council Members Casey, Staudt

STAFF LIAISON: Carl Johnson, CFO/Treasurer/Finance Director

ALSO PRESENT: Danielle Mahoney, Assistant City Manager
Tia Gronlund-Fox, Human Resources Director
Katherine Oppermann, Recording Secretary

APPROVAL OF AGENDA
Motion: Casey, Seconded: Staudt, approved 3:0

APPROVAL OF MINUTES – May 29, 2024
Motion: Staudt, Seconded: Casey, approved 3:0

PURPOSE OF MEETING

1. OPEB/Retirement Fund Review RFP

   Mr. Johnson went over the draft Investment Advisor Consultant Services Request for Proposals (RFP) with the committee, noting that pages 10 – 15 were the most important as they explain what the City specifically wants. That being, to ensure our investments are in line with policy and if they have any suggestions as to the specific mix of investments. He also stated that he has spoken to our current investment consultant through Morgan Stanley to inform him of the RFP and let them know of our expectation for them to work together with the new consultant. Mr. Johnson also asked them for any insight they might have on who the City could expect to respond to the RFP.

   Mayor Fischer approves of the draft generally, though he stated that he will look it over once more in detail and then confirm with Mr. Johnson priori to it being posted.

Councilmember Staudt said that his primary concern is if the City current has the proper structure, he assumes that we're already getting goods returns on investment.

Mayor Fischer stated that he does wonder if there are other "products" we aren't considering in our portfolio, noting the overfunding of the OPEB. He would like a review of the investment products we are using in light of our funding percentage. Additionally, he asked Mr. Johnson how soon the RFP can go public. Mr. Johnson affirmed that, pending the Mayor's final approval, the RFP can go out this week.

Councilmember Staudt asked how long we should expect the resulting review and report to take. Mr. Johnson believes that the actual work can likely be wrapped up in a month but that the full process from making the RFP public, hiring the consultant, said consultant going through the review and then presenting the report/formal presentation may take a few months.

Mayor Fischer requested that he receive an update when the RFP "hits the streets."

2. Retirement/Pension/MERS

Mr. Johnson presented a City of Novi Pension Overview to the Committee. The City of Novi has two types of plans, a Defined Benefit (DB) Plan and a Defined Contribution (DC) Plan, his presentation focuses primarily on DB as it is the more complicated of the two.

Mayor Fischer asked if we have a vestment schedule. Mr. Johnson said yes, when he started to work with the City it was set at 10/20/30 which was excessively long, resulting in almost no one being vested. It has since been changed to 3/5/7.

Municipal Employees' Retirement System of Michigan (MERS) handles both our DB and DC plans. Mr. Johnson review the contribution rate percentages. Db plans were closed over the course of several years, 2006 – 2011 as they were very expensive for the City. Contribution rates for DC varies by role/department/union. In general, an employee is fully vested with 7 years of continuous service. He also went over the numbers of employees in each plan, as well as those who are eligible, receiving benefits, and inactive but not yet receiving benefits.

Mayor Fischer wonders about the number of different contract permutations. Mr. Johnson went over the current calculation per group. He emphasized once more that closing DB plans has saved the City a huge amount of money. Currently the only groups that still have open DB plans are Command Officers and Hybrid Police Officers.

Following more of Mr. Johnson's presentation, Councilmember Staudt asked how much MERS has under their control (cumulative, not just City of Novi) to which Mr. Johnson replied that while he doesn't have an exact number he expects it is in the billions.

Mr. Johnson went over what would be required in order to exit MERS and a potential timeline. The Mayor affirmed his intention for the City to exit MERS.

3. Fund Balance Policy

   Due to insufficient time Mayor Fischer requested that this item be moved to the next meeting of the Committee.

AUDIENCE COMMENTS - none

ADJOURNMENT – 6:42 p.m.

Summary: The City of Novi general fund fund balance policy is have greater than 3 months (25%) and less than 4 months (33%) of unassigned fund balance in reserves, with the the high 20% area as the 'target'. Should the expected balance drop to 25% or below, corrective actions must take place immediately. If the balance is expected to be 33% or higher, council shall discuss the purpose and consider if the elevated balance is appropriate and any futher steps.

Savings in Month Equivalent	**FB as % of expenses**		
3 months	25% or below	Action Required	(1)
	26%		
	27%		
	28%		
	29%	Target Range	
	30%		
	31%		
	32%		
4 months	33% or greater	Action Required	(2)

(1) if fund balance is expected to fall to 25% or lower the following corrective action is required:
the City will immediately create a plan such that fund balance is >25% within three years by:
(a) controlling operating expenditures, adjusting operations and/or dedicating excess or specific revenue sources
(b) adjusting operations and/or
(c) dedicating excess or specific revenue sources
(d) any other means as recommended by staff and approved by City Council

(2) if fund balance is expected to be 33% or greater, the following action is required:
the City Council shall discuss elevated fund balance level, and shall consider:
(a) moving a portion of fund balance from unassigned to assigned
(b) lowering taxes
(c) appropriating funds over the next three fiscal years to one time/capital projects and/or
(d) articulating reason for elevated balance (saving for pension paydown, anticipated economic downturn, etc)
(e) other option as council deems appropriate