MEMORANDUM

TO: VICTOR CARDENAS, CITY MANAGER

FROM: CARL JOHNSON, CFO
JEFF HERCZEG, DIRECTOR DEPARTMENT OF PUBLIC WORKS

SUBJECT: ROAD PROJECTS BUDGET UPDATE

DATE: JULY 10, 2024

During the last Finance committee meeting held May 29, 2024, the discussion centered around three road projects, timing and possible financing for the projects, and questions about how projects budgeted in fiscal year 2024/2025 had been reprogrammed. The following are the are the items discussed:

1. Crescent Boulevard connection to Lee BeGole Drive and possibly Grand River
2. Detail of Beck Road (11 Mile to Grand River) budget of $3,148,649 reprogrammed to other projects
3. Beck Road (11 Mile to Grand River)
4. 12 Mile Road (Beck to Novi Road)

The discussion also included which of the above projects, if any, would be recommended to be funded by a non-voter approved bond issuance with the estimated total cost if all were bonded of $22-25 million. The following is a summary of recommendations form the committee for each project along with additional information as requested:

Crescent Boulevard connection to Lee BeGole Drive and possibly Grand River

The estimated cost of the connection of Crescent to Lee BeGole is $7 million and a total of $10 million if extended all the way to Grand River. The committee recommended at this time not to move forward with this project. The committee recommended that if the proposed new public safety facility moves forward on Crescent Boulevard that the road project be included as part of any potential bonding at that time.

Detail of Beck Road (11 Mile to Grand River) budget of $3,148,649 reprogrammed to other projects

The proposed budget for fiscal year 2024/2025 had a budget of $3,569,697 for this project. During the budget meetings with City Council this amount was amended down to $3,148,649 as $421,048 was allocated to the salt dome project. During the committee meeting there were significant discussions regarding this project and what led to the entire budget being reprogrammed. The first item was that the total cost increased significantly and the original estimate of the city's share of $3.5 million was now $5.3 million (with federal funds of $4.7 million for the balance of the project). The second part of this project that had changed was the timing. The original budget proposed needing the funds during the 2024/2025 fiscal year, but the project has been pushed back until the 2025/2026 fiscal year. DPW explained at the time that like almost every year, timing issues like this arise and that this revised project would be rebudgeted during next year's budget process and other projects would be reallocated to future years. The attached summary details the exact projects that the budgeted $3,148,649 was reallocated to and includes new projects that were never on the CIP and projects that required additional funding to complete from both fiscal 2023/2024 and 2024/2025.

Beck Road (11 Mile to Grand River)

As part of reviewing the financing for the 12 Mile Road Project (below), the DPW revised the three-year road budget and came up with a proposed funding plan for the city's share of $5.3 million for fiscal 2025/2026. The revised plan incorporates the current estimated costs, the change in timing and includes no bonding. The only significant reduction to cover these projects would be a reduction in the funding for the neighborhood road program (NRP) from $4.5 million to $2 million in 25/26 and an additional $2 million reduction in 27/28. The alternative to reducing the NRP is to bond $2.5 million or $4.5 million for this project. This is the only proposed bonding.

12 Mile Road (Beck to Novi Road)

As discussed during the meeting, the 12 Mile project is a complicated project as it is a County project that the City Council pushed to have done sooner rather than later and agreed to advance fund the project and get reimbursed over a period of years. DPW discussed with the committee that the significant issue with this project was with the overall increase in the cost of the project coupled with the expanded scope. When the project was originally proposed the three street funds had sufficient cash available due to their required fund balance minimums to cover the advance funding while the City was waiting for grant funding to come in. Due to the above issues, the road funds no longer have sufficient cash available to cover the required $6.908 million advance funding. The committee expressed their desire to not have to borrow to cover the advance funding and asked for the three-year road budget to be revised and updated to determine the bear minimum, if any, of the non-advance funding costs that would need to be bonded.

As discussed above, DPW revised the three-year road budget and the attached summary details a plan on how to cover all road projects, including those listed above without any bonding (see yellow highlights for changes). While the plan shows how the listed projects can be completed without any bonding, it does come at the expense of the NRP program with reductions of $2.5 million in year 2 (25/26) and $2 million reduction in year 4 (27/28). The plan also does not detail where the funds would come from for the advance funding required in 2026 of $6.908 million.

After review of the other non-restricted funds of the City, finance has identified the following funds that would be available for the advance funding of the 12 Mile Road project:

- The City Council mandated minimum fund balance of 10% in the three street funds results in approximately $2.5 million of available cash
- The Special Assessment Revolving (SAR) Fund loaned approximately $4 million to the CIA fund for their share of the Ring Road project 2019/2020 fiscal year. The CIA has been paying the loan back annually and as a result the SAR fund would have a projected $4-5 million available by the 2026/27 fiscal year
- To the extent the $6.5-7.5 million identified above are not available, the General Fund would have on average $10 million available from its City Council mandated fund balance minimum