

MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: JEFFREY HERCZEG, DIRECTOR OF PUBLIC WORKS
SUBJECT: MAJOR ROAD PROJECTS UPDATE AND FUNDING
DATE: DECEMBER 13, 2023

Staff has identified three major road projects in the Capital Improvement Plan (CIP) which require funding beyond the current capacity in the road's funds. The identified projects are **Beck Road** (12 Mile to 8 Mile Road), **Road Commission for Oakland County (RCOC) 12 Mile Road** (Beck to west of Novi Road), and the proposed connection of **Crescent Boulevard and Lee BeGole Drive** (northeast ring road Crescent to 11 Mile Road). All projects are expansion and traffic improvements to significant corridors. Additional information and history on all the projects are attached for reference. The status of the three projects are as follows:

RCOC 12 Mile Road (4 Lane Boulevard)

- Federally project in cooperation with RCOC
- Project limits originally were Beck Road to Dixon Road estimated at ~\$15M
- New project limits are from Beck Road to just west of Novi Road estimated at ~\$35M
- Currently \$1.2M budgeted in 2025 for design and right-of-way acquisition (50/50 split with RCOC)
- City responsible for 10% of construction costs (\$3.5M), with advanced construction in FY2026 required to secure federal funding of \$10.5M (federal payback of \$7.5M split between in FY 2027-28 below)

CON Estimate	\$35,000,000			
Funds Identified	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Total</u>
Federal "C"	\$4,694,000	\$4,694,000	\$4,694,000	\$14,082,000
State "C"	\$9,863,660	\$3,228,000	\$1,200,000	\$14,291,660
Local	\$3,639,415	\$1,980,500	\$1,473,500	\$7,093,415
Total	\$18,197,075	\$9,902,500	\$7,367,500	\$35,467,075
JobNet/TIP	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Total</u>
Federal "C"	\$4,694,000	Convert Above	Convert Above	\$4,694,000
State "C"	\$9,863,660	Convert Above	Convert Above	\$9,863,660
Local	\$20,909,415	\$0	\$0	\$20,909,415
Total	\$35,467,075	\$0	\$0	\$35,467,075
City Front Costs	\$10,454,708			
City Reimbursement		-\$3,961,000	-\$2,947,000	
City NET Costs				\$3,546,708

Beck Road (4 Lane Boulevard)

- Environmental Assessment (EA) is wrapping up in 2024, final step is a public hearing
- \$4.7M (for segment from Grand River to 11 Mile Road) Federal Funding Congressional Directed Spending to be obligated by August 2025 (segment estimated cost \$9M)
- Continue to work with City of Wixom to peruse additional federal funding for the entire corridor
- Estimated cost for other 3 segments (11 Mile to 8 Mile) ~\$30M
- Total cost Novi Beck Road Corridor Grand River to 8 Mile Road ~\$40M

Crescent Boulevard to Lee BeGole Drive /11 Mile Road Roundabout (RAB)

- Currently budgeted in 2028 estimated \$5M
- Recent acquisition of property across from Department of Public Works makes road construction possible
- Aligns with potential Public Safety Complex planning process
- Increases value of property for resale if the City decides not to move the Public Safety Facility to said location

To fund and construct these projects staff recommends bonding the approximate ~\$20M (~\$5M for Beck (Grand River to 11 Mile, \$10.5M for 12 Mile, and \$5M for Crescent/Lee BeGole). The City will receive \$7.5M back in federal reimbursement on the 12 Mile Road project as mentioned above but it will be repaid over a two year period.

The proposed bonding for these projects **does not** include going to the voters and asking for a millage to pay them, the debt service would be paid directly by the Municipal Street Fund and would only need council approval to proceed. City has several options for the bonds (20-year amortization) which include the following:

- Issue the \$20M in bonds and use the \$6.908M in grant repayments just to repay the debt which would result on an estimated annual debt service payment of \$1.390M which would be part of the annual budgets moving forward.
- Issue the \$20M in bonds and **do not** use the \$6.908M in grant repayments to repay the debt which would result on an estimated annual debt service payment of \$1.735M which would be part of the annual budgets moving forward. The grant repayments would be used to fund additional local street repairs as identified by the Road Committee final report or other council initiatives (see below).
- Issue \$18M in bonds and use the \$6.908M in grant repayments just to repay the debt which would result on an estimated annual debt service payment of \$1.216M which would be part of the annual budgets moving forward. The reduction of \$2M would involve the City Council temporarily suspending the fund balance minimum requirement in the street funds for two years and using those funds for the advance funding of 12 Mile. Using the fund balance would save the road funds more than \$3.74M over the duration of the bonds.
- Issue the \$18M in bonds and **do not** use the \$6.908M in grant repayments to repay the debt which would result on an estimated annual debt service payment of \$1.562M which would be part of the annual budgets moving forward. The grant repayments would be used to fund additional local street repairs as identified by the Road Committee final report or other council initiatives (see below). The reduction of \$2M would involve the City Council temporarily suspending the fund balance

minimum requirement in the street funds for two years and using those funds for the advance funding of 12 Mile. Using the fund balance would save the road funds more than \$3.74M over the duration of the bonds.

This essentially frees dollars in the CIP to complete other projects competing for funding year after year. In 2020 The Roads Committee reported out a gap of \$2-\$3M in the road funds results in moving and deferring existing projects. Further complicated by local projects with federal funding which need to be obligated in specific fiscal years below:

Project	Year	Limits	Federal Share	Novi Share
Wixom Road	2023	790' S of Grand River Ave to Ten Mile	\$1,475,280	\$ 323,506
Meadowbrook	2024	10 Mile Rd to 11 Mile Rd	\$ 931,161	\$ 232,790
9 Mile Road	2024	Meadowbrook to Haggerty	\$ 573,379	\$ 143,345
13 Mile Rd	2025	M-5 to Haggerty Rd	\$ 523,745	\$ 130,936
West Park Dr	2025	12 Mile Rd to West Rd	\$ 576,978	\$ 144,244
West Park Dr	2025	West Rd to Pontiac Trail	\$1,198,688	\$ 299,672
Total			\$6,851,062	\$2,528,803

A bond of this magnitude would provide flexibility and allow execution of the larger projects timely enough to align funding sources which can ultimately be directed by the City Council's preferred priorities.

The remaining segments on the Beck project (11 Mile Road to 8 Mile Road) are estimated at ~\$30M and assuming no additional federal dollars, they would have to be addressed separately and will likely need to be funded by a voter approved millage as the estimated annual debt service is \$2.603M or .56 mills. However, there is a lack of support for expansion from communities south of 8 Mile, so any expansion project south of 10 Mile (staff does recommend completing expansion to 10 Mile based on its current traffic volumes) would need further consideration.