



CITY OF NOVI CITY COUNCIL JUNE 22, 2026

SUBJECT: Approval of the Suburban Mobility Authority for Regional Transportation (SMART) Municipal Credit and Community Credit Interlocal Transfer Agreement for the ongoing transfer of Novi's annual SMART municipal credit allocation to People's Express (PEX) in the amount of \$62,149.

SUBMITTING DEPARTMENT: Parks, Recreation and Cultural Services (PRCS)

KEY HIGHLIGHTS:

- In FY24-25, Novi executed a one-year contract with SMART to transfer its full municipal credit allocation to PEX. The proposed interlocal agreement includes FY25-26 and replaces the annual contracting process with a single ongoing agreement going forward.
- SMART has determined that Novi is not eligible to retain any portion of the municipal credits and may only transfer 100% to PEX. If funds are not transferred, SMART may reallocate them at its discretion.
- The agreement remains in effect as long as PEX operates eligible transit services and may be terminated by the City with 90 days' advance notice prior to SMART's adoption of its annual budget.

BACKGROUND INFORMATION:

SMART allocates municipal credit funds to the City of Novi annually under Michigan Public Act 51 of 1951. In prior years, these funds supported the Novi Senior Transportation Program, which concluded in June 2024 when People's Express (PEX) assumed transportation operations in Novi.

Following the transition to PEX, City staff worked extensively with SMART and consulted with the City Attorney's Office to explore whether Novi was eligible to retain any portion of these credits to offset internal operating costs related to the transportation program. SMART determined that the City of Novi is not eligible to retain any of these credits and may only transfer 100% of the funds to PEX. If funds are not transferred, SMART may reallocate them at its discretion.

In FY24-25, Novi executed a one-year contract with SMART to transfer the full allocation to PEX. The proposed interlocal agreement includes FY25-26 and replaces the annual contracting process with a single ongoing agreement, effective July 1, 2025, that remains in effect as long as PEX operates eligible transit services. The agreement may be terminated by the City with 90 days' advance notice prior to SMART's adoption of its annual Municipal and Community Credit budgets.

The agreement includes two options in Exhibit A for how funds may be allocated. Because SMART has determined that Novi is eligible only to transfer 100% of its credits to PEX, City staff propose election of Option 1. The two-option exhibit structure is required by SMART for consistency across all participating municipalities and does not reflect an available choice for Novi. This agreement has been reviewed by the City Attorney's Office.

The annual allocation is \$62,149, consistent with recent prior years. The allocation amount is subject to adjustment following a census; the next adjustment is anticipated after the 2030 census.

RECOMMENDED ACTION: Approval of the Municipal Credit and Community Credit Interlocal Transfer Agreement between the City of Novi and the Suburban Mobility Authority for Regional Transportation (SMART), authorizing the ongoing transfer of Novi's annual SMART Municipal Credit allocation to People's Express (PEX), effective July 1, 2025.