



CITY OF NOVI
Finance and Administration Committee
July 10, 2024, 5:30 p.m.
Mayor's Conference Room | 45175 Ten Mile Road
(248) 347-0445

CALL TO ORDER 5:31 p.m.

ROLL CALL: Mayor Fischer, Council Members Casey, Staudt

PRESENT: Mayor Fischer, Council Members Casey, Staudt

STAFF LIAISON: Victor Cardenas, City Manager
Carl Johnson, CFO/Treasurer/Finance Director

ALSO PRESENT: Danielle Mahoney, Assistant City Manager
Jeff Herczeg, Department of Public Works Director
Wesley Scallions, Public Works Management Intern
Katherine Oppermann, Recording Secretary

APPROVAL OF AGENDA

Motion: Casey, Seconded: Staudt, approved 3:0

APPROVAL OF MINUTES – May 29, 2024

Motion: Casey, Seconded: Fischer, approved 3:0

PURPOSE OF MEETING

1. Road Funds Re-Group

City Manager Cardenas open the matter by noting that following the previous Finance and Administration meeting on May 29th staff has prepared a memo and spreadsheets to circle back on the main items of interest.

Mr. Johnson continued by noting the four significant items of discussion:

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)

He stated that staff regrouped and examined the funds to rebalance costs through existing funds, particularly on the 12 Mile Road project. The Crescent Blvd connection has been removed at the Committee's recommendation, to be potentially re-examined as a project in the future.

Mayor Fischer asked if said connector is a priority as compared to other needs in the City? Mr. Herzeg responded that it would improve access, especially should the new Public Safety building be installed on Lee Begole as planned. He also stated that costs for the connector, as with any construction, will only increase moving forward into the future. Mayor Fischer noted that he would prefer the connector as part of a long-term bond, such as one part of the overall Public Safety facilities project, instead of as a short-term bond along other road projects.

Mr. Johnson let the Committee know that the 12 Mile Rd project budget has been revised so that no bonding will be required and proceeded to go over all the changes to the budget as well as various project shuffling done to accommodate this. Mr. Herczeg noted that some items were reprogrammed, such as preservation overlays taking the place of full reconstructions, in order to drop the overall costs for those projects. Councilmember Staudt asked if there are any other funds coming from outside resources (County, State, Federal) that we know of? Mr. Herczeg replied that no, all such existing funds are already tied up.

Mayor Fischer stated that the new information was very helpful and that he appreciates all the work that went into preparing it. Additionally, he noted that he does have some appetite for a small level of bonding as opposed to reducing the Neighborhood Road Program (NRP) and that a shorter bond length would be his preference. Councilmember Staudt asked when the final decision on going forward with a bond would need to be made and Mr. Herczeg replied that it would likely be in 2027. Mayor Pro Tem Casey also appreciated Mayor's sensitivity to taking money from the NRP. Mayor Fischer suggested that he would like to see any increase to revenue or federal funding be added back to the NRP as it comes up. He also thanked staff for their efforts on this matter once more.

2. OPEB Presentation

Mr. Johnson stated that OPEB had been previously discussed by Mayor Fischer and affirmed that, staff will bring a resolution before City Council on the same matter with the Committee's recommendation. This presentation is intended as a precursor to that. He then went through his presentation on OPEB and the affiliated investment policy.

An OPEB as affiliated costs and for most communities they are set up as pay-as-you-go. However, the City of Novi has gone above and beyond by starting to fund it (as of 2023), these funds are held in a trust. The Investment Policy is approved by City Council. In 2003 the City of Novi had three investment managers (Morgan Stanley, UBS, and MERS) but the challenge of have three investment managers is that they all have their

own company policies. As such, we have been working towards having a single investment manager.

Mr. Staudt asked if we could have an outside Board of Trustees to oversee the fund instead of the City Treasurer? Mr. Johnson affirmed that yes, that is an option open to us. Mr. Staudt also questioned why we utilize MERS? Mr. Johnson stated that it is because they were established long ago, much before he was employed by the City. Mayor Fischer noted that he does not care for MERS. Mr. Staudt then asked for clarification as to why this matter was being brought forward? Mayor stated that it is being brought because both he and Mr. Johnson would like to revise the current Investment Policy.

Mr. Johnson and the Committee briefly went over the requirements under Michigan PA 202 and 314.

The current City of Novi OPED Investment Policy was created in 2003 and last amended in 2019. The proposed amendment now coming forward would allow more flexibility while moving towards a more conservation approach (given the current 113.73% funding).

Mayor Fischer confirmed with Mr. Johnson that we have two different policies, one for OPEB and another for Pension. He also asked if we have ever used pension consultants to which Mr. Johnson replied that he sees Morgan Stanley as serving in that capacity. Mayor suggested that a one-time study could be done by an outside company and that an RFP for such a firm could be put out. Mayor Pro Tem Casey agreed that would be a good plan.

Mayor Fischer requested that Pension and General Fund be on the next meeting agenda and summarized the committee recommendations as follows.

Committee Recommendations:

- 1. To amend the Investment Policy for the Retiree Healthcare Fund to change the investment allocation guidelines*
- 2. For Staff to prepare an Investment Advisor Request for Proposal (RFP)*

AUDIENCE COMMENTS - none

ADJOURNMENT – 7:04 p.m.