



CITY OF NOVI
Finance and Administration Committee
May 29, 2024, 5:30 p.m.
Council Conference | 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: Danielle Mahoney, Assistant City Manager

ALSO PRESENT: Victor Cardenas, City Manager
Danielle Mahoney, Assistant City Manager
Carl Johnson, CFO/Treasurer/Finance Director
Jeff Herczeg, Department of Public Works Director
Katherine Oppermann, Recording Secretary
Patrick McGow, Miller Canfield Bond Counsel

APPROVAL OF AGENDA

Amendment by Mayor Fischer to move the OPEB/Investment item to the next meeting, to include a basic 101 on all topics and discussion points.

Seconded: Casey, approved 3:0

PURPOSE OF MEETING

1. Investment Policy

Item moved to next upcoming Finance and Administration Committee meeting per agenda amendment.

2. Bonding Framework

The City of Novi has a number of upcoming projects that may be worth bonding. Mr. Johnson gave a brief background on the process of bonding. He noted that of the several upcoming projects has a dollar total anticipated to exceed city funds which opens the opportunity to bond the work.

Mayor Fischer requested that the main projects eligible for bonding be reviewed.

One of the main projects is the 12 Mile Road project being cost shared with the Road Commission of Oakland County (RCOC) which goes back to a 2011 agreement. The project will need to be funded in full by 2026. Due to the time elapsed between the 2011 agreement and the present the expected costs of the project rose significantly, from approximately 13 million to 30 million, the new costs were presented to the City in December 2023. It was noted that the main complication of the project is the railroad crossing. While a large portion of our 10-million-dollar share will ultimately be funded by federal dollars we must front the pay and expect later reimbursement. The project is expected to take two years to complete.

Mayor Fischer noted his concerns about the timeline between the city taking on the bond and it being paid back. He would like it to be paid back as soon as possible.

Mr. McDow, of Miller Canfield, explained that generally bonds of 10 years or less are not callable early. That said, a schedule could be set up for principal payback based on expected federal dollars received however it would be likely to have a higher interest rate.

Mayor Fisher reiterated that he is not against bonding for the 12 Mile Road project or for Beck Road but that he would like it to be short term.

The Committee then briefly discussed the previously budgeted amount for the roads projects versus the actual amount required in case there is the possibility of not bonding for that portion which is already in the City Budget.

Councilmember Staudt and Mayor Fischer agreed that City Council needs a new presentation on the 12 Mile Road Project as it is not clear to the where all the changes in cost have occurred. They noted their displeasure at recent projects coming in at three times the original budgeted cost. They also briefly went over their thoughts on various options for funding: from city budget, from millage, or from bonding.

Mayor Pro Tem Casey stated her concerns with bonding in regard to the interest the City would be responsible for paying, with no reimbursement.

Mr. Johnson agreed to create a new, clean spreadsheet for the committee and City Council review regarding the project. He affirmed his understating that, per the committee, the City should borrow as little as possible for the 12 Mile Road Project.

Mayor Fischer summarized that the purpose of the meeting is that the committee is loosely agreeing to move forward with the 12 Mile Road cost share project, that funding should be found through bonding or other means and determine exactly how they should move forward with the project at this point. He noted the drastic changes in numbers from what is initially presented at the Capital Improvement Program (CIP) and how several projects were underfunded at outset thereby requiring amendments.

Councilmember Staudt agreed and stated that the committee was created in order to have these necessary discussions before an item goes to a City Council meeting. Debt is a large concern for the current Council.

Mayor asked that, when this item goes before City Council again, that the motion sheet is very clear, with any necessary explanation and total projected project costs included.

With that settled, City Manager Cardenas asked if the Committee had any questions for Bond Counsel McDow.

Mr. McDow made note that the City of Novi was one of the fastest growing communities throughout the 2000s and did a huge number of road projects in that time, funded by a variety of means and all now paid off. He explained that when doing bonding the timing is very important as bond monies have a finite time in which they must be spent and used. Bonding is sometimes done in a series, common with School projects and other community plans. Novi has the option to use Act 51 or Construction Fund towards a bond without a vote. He also noted that a Capital Improvement Bond is probably Novi's better choice, done via City Council resolution. This would allow the City Clerk to publish a notice of intent, a choice that is common with other cities and townships. The key is that if there is money from existing revenue the City can do a Capital Improvement Bond and have those monies available within 90 days. It is a more efficient and less costly way to borrow money.

Mayor Fischer confirmed that Mr. Cardenas and Mr. Johnson had their direction on the 12 Mile Road Project, to go forward to Council on Monday (6/3/24). Seeing nothing else on the agenda and nothing further from the other committee members, he thanked Mr. McDow for being present. He noted that there is a lot more for the committee to tackle going forward and that he appreciates the candor of the group.

AUDIENCE COMMENTS - none

ADJOURNMENT – 7:11 p.m.