

WELCOME TO THE



**Michigan
Municipal
Executives**

2025 Winter Institute



Road Funding – Leading Your Community to Better Roads

Presented by:

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The Problem

- State Revenue Sharing – continues to lag promised funding
- Headlee and Proposal A double whammy
- Increased negative sentiment to federal deficits and over-spending, and thus new taxes
- Gas and diesel tax revenue (approximately 40% of state road funding) continues to lag needs and has an inherent problem with more people working remote and moving away from gas/diesel vehicles
- Lower bid count and decreased competition amongst contractors
- Construction price increases



U.S. Department of Transportation

Federal Highway Administration

Select Year and Quarter:

2003 Q1

2024 Q2

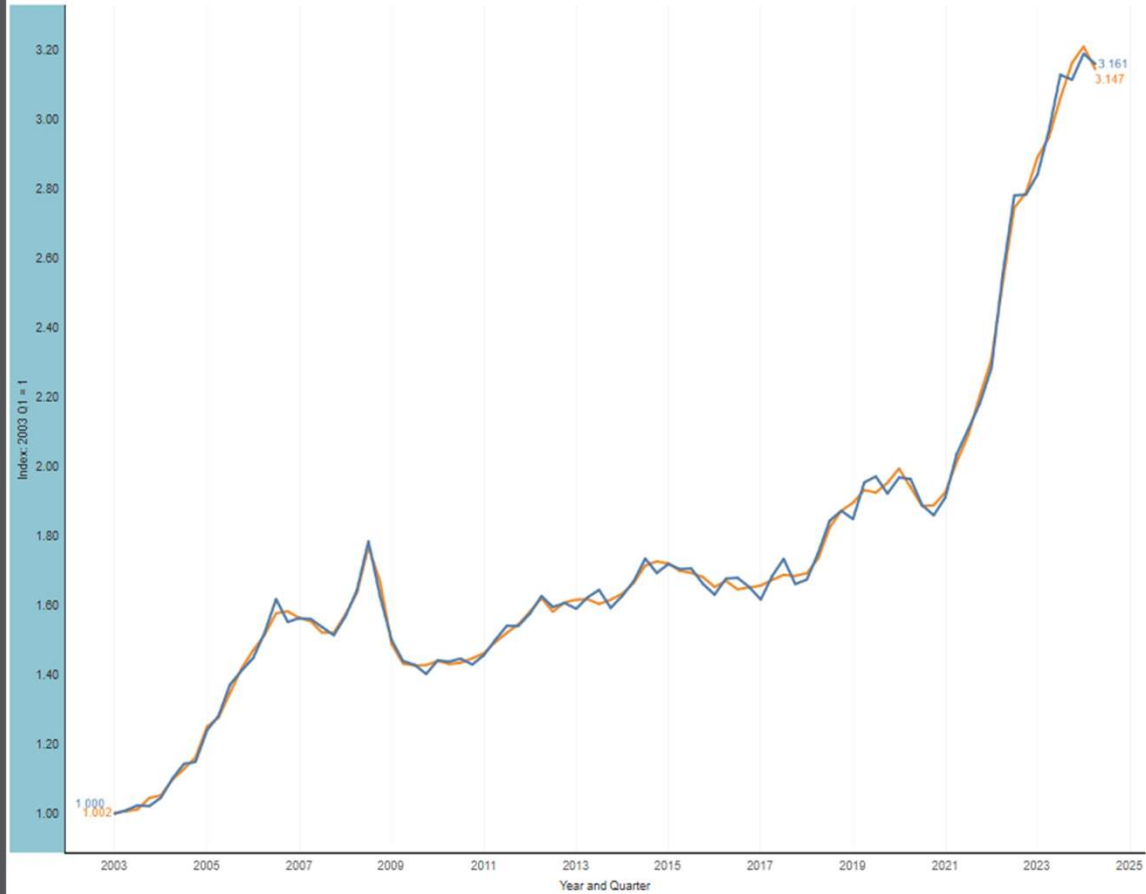


Select Series:

NHCCI

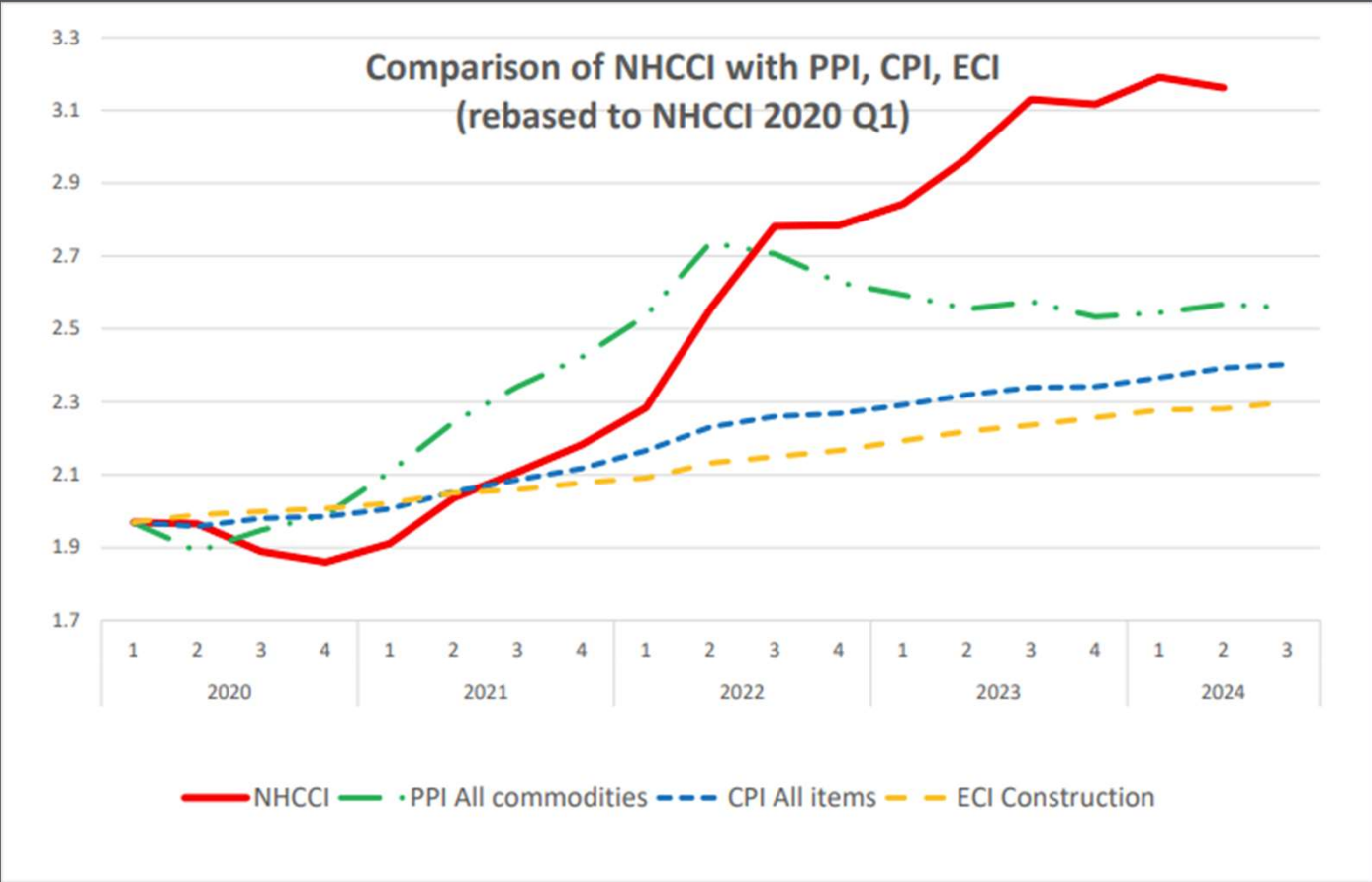
Seasonally Adjusted NHCCI

National Highway Construction Cost Index (NHCCI)



2024 Q2 index is preliminary.
2023 Q4 and 2024 Q1 indexes are revised.



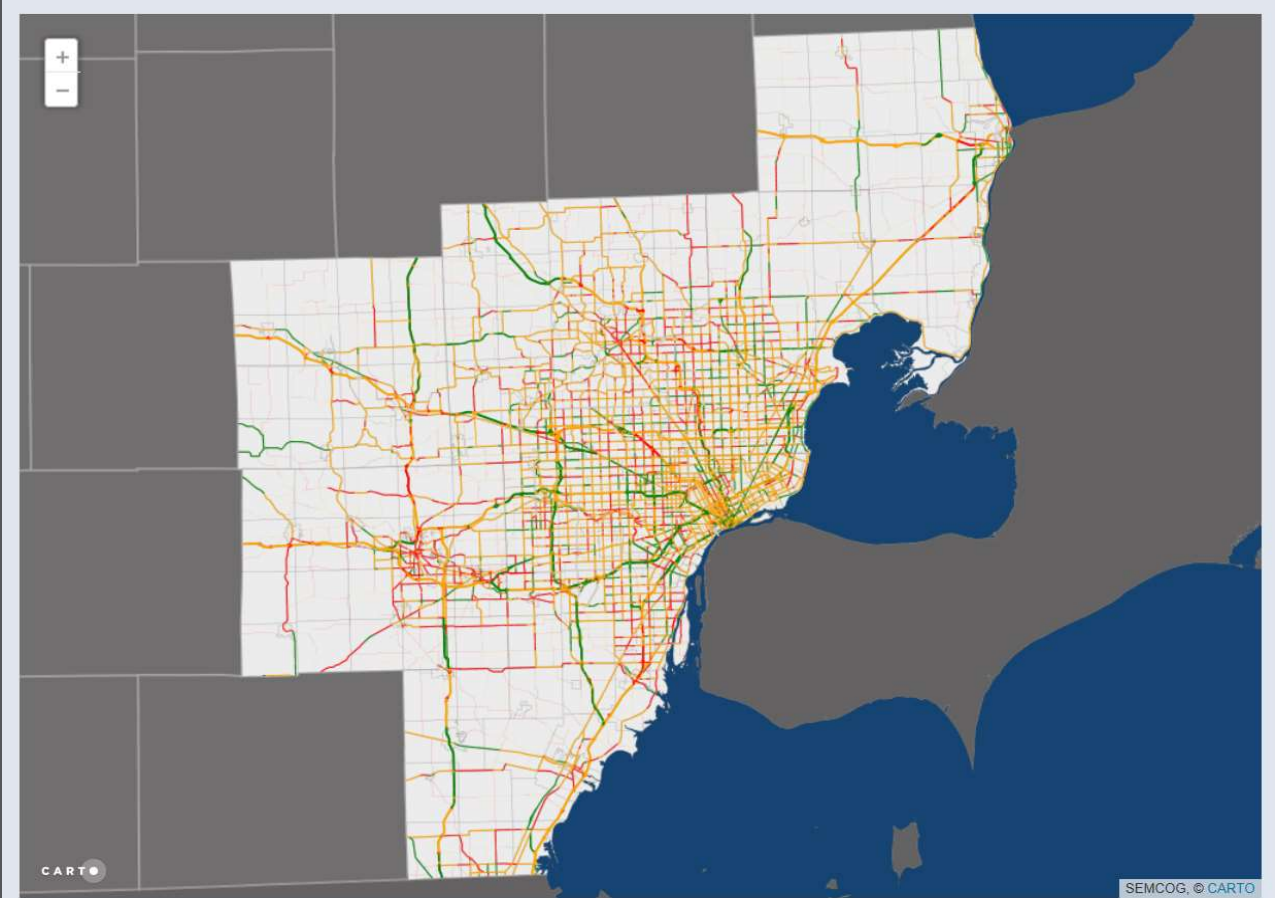


Sources: NHCCI: FHWA, Office of Transportation Policy Studies, National Highway Construction Cost Index (NHCCI) 2024 Q2 Estimates. CPI and PPI Indexes: BLS, Consumer Price Index, and Producer Price Indexes, available at <https://www.bls.gov>.

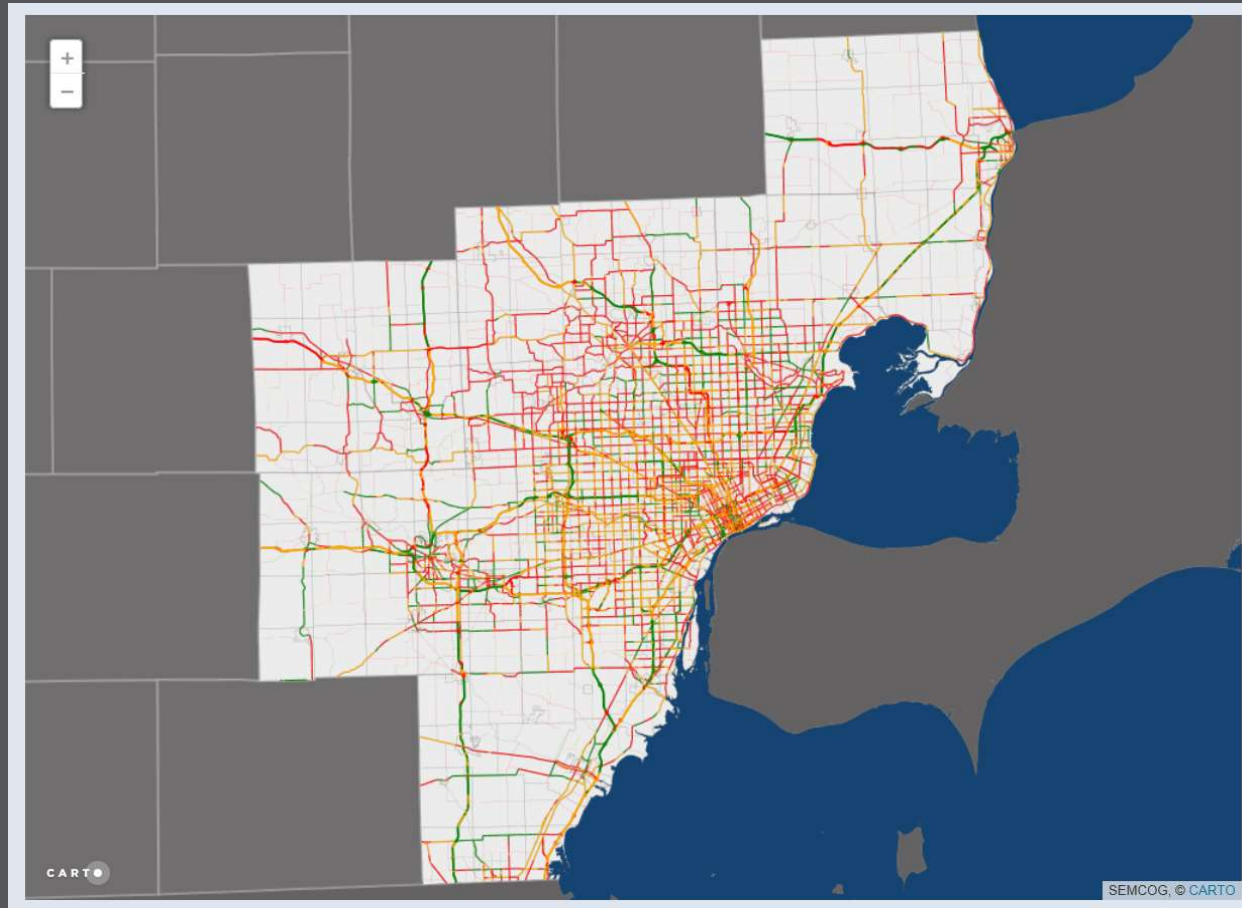
Increase Since End of 2020

+71.5%

2006 SEMCOG Road Map



2016-17 SEMCOG Road Map





The Solutions

- State of Michigan is researching funding issues and trying to figure out solutions, including researching mileage-based user fees and increased registration fees
 - Can we wait for their solutions?
 - Are their “solutions” going to be real solutions for local government needs?
- Amending Headlee Amendment
 - Will this ever be possible?
- Local funding
 - Education to taxpayers
- Maintenance programs



Local Funding Options

- Grants/Earmarks
- Water/Sewer project
- Special assessments
- Increasing millage inside Headlee limit through Council/Board approval
- Voted millages
 - Voted charter amendment
 - Voted Headlee override
 - Voted bond issue
- Indirect funding
- Development agreements
- Debt issuance



Grants/Earmarks

- Grants
 - Who finds these? Typically, grant writers and/or consulting engineers
- Earmarks
 - These have been increasingly common in the past few years
 - Any community, any project, any amount should be considered
 - How will your project positively effect the community (and others outside your community)?



Water/Sewer Project

- Generally, restoration above utility replacement is allowed to be included
- “V” cut, 1 lane generally per utility
- Roadway vs. greenway
- Grant funding for water and sewer through SRF or USDA can help with costs here
- Water/sewer rates can help with costs
- Road replacement/extensive repairs every 10-20 years, water/sewer every 50-100 years (hopefully)



Special Assessments

- Not all cities and villages are allowed to do this. All townships are allowed per Act 188 of 1954.
 - Check city/village charter for allowances
- What is the Process?
 - Council/Board initiated – Stops if more than 20% by land area petition
 - Property owner initiated – Greater than 50% by land area
- Issuing Bonds Backed by the Special Assessments
 - Special Assessment District (SAD) Bonds
 - City/Village Share Bonds

Increasing Millage Inside Headlee Limit



- Council/board approved
- Only allowed if you are levying under the Headlee maximum allowable limit
- Easiest tax-based solution to raise extra funding for roads

Council/Board-Approved Millage Increase Example



Michigan Department of Treasury
614 (Rev. 01-23)

ORIGINAL TO: County Clerk(s)
COPY TO: Equalization Department(s)
COPY TO: Each township or city clerk

L-4029

2023 Tax Rate Request (This form must be completed and submitted on or before September 30, 2023)

MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

Carefully read the instructions on page 2.

This form is issued under authority of MCL Sections 211.24e, 211.34 and 211.34d. Filing is mandatory; Penalty applies.

County(ies) Where the Local Government Unit Levies Taxes Ingham	2023 Taxable Value of ALL Properties in the Unit as of 5-22-2023 274,120,770
Local Government Unit Requesting Millage Levy City of Mason	For LOCAL School Districts: 2023 Taxable Value excluding Principal Residence, Qualified Agricultural, Qualified Forest, Industrial Personal and Commercial Personal Properties.

This form must be completed for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec 211.119. The following tax rates have been authorized for levy on the 2023 tax roll.

(1) Source	(2) Purpose of Millage	(3) Date of Election	(4) Original Millage Authorized by Election Charter, etc.	(5)** 2022 Millage Rate Permanently Reduced by MCL 211.34d "Headlee"	(6) 2023 Current Year "Headlee" Millage Reduction Fraction	(7) 2023 Millage Rate Permanently Reduced by MCL 211.34d "Headlee"	(8) Sec. 211.34 Truth in Assessing or Equalization Millage Rollback Fraction	(9) Maximum Allowable Millage Levy *	(10) Millage Requested to be Levied July 1	(11) Millage Requested to be Levied Dec. 1	(12) Expiration Date of Millage Authorized
Charter	Operating		20.0000	17.9294	1.0000	17.9294	1.0000	17.9294	15.2500		

Column 9 – Headlee Allowable Millage Levy – 17.9294 mills
 Column 10 or 11 – Millage Levied – 15.2500 mills
 Council-Approved Millage Allowed – 2.6794 mills

Council-Approved Millage Revenue Available
 Millage Allowed x Taxable Value / 1,000
 2.6794 mills x 274,120,770 / 1,000 = \$734,479
 yearly



Types of Voted Millages

- Voted Charter Amendments
 - Cities (20 mills) and villages (varies) must include this in their overall cap
- Voted Headlee Override
- Voted Bond Issue
 - Unlimited Tax General Obligation (UTGO) Bonds
 - Millage levied outside of caps
 - 10% of State Equalized Value (SEV) debt limit (plus add ons for cities)



Voted Charter Amendment

- Commonly called an “Extra-Voted Millage”
- Some communities limit the number of years
 - Limit of 20 years common for townships (different laws than cities and villages with a charter)
- Example 1:
 - “Shall Section ___ of Chapter ___ of the City of _____ Charter be amended to authorize a permanent additional millage of 5.0 mills (\$5.00 per \$1,000.00 of taxable value) to be levied solely for road improvements and maintenance, beginning with the levy made on (July/December) 1, (Year).”



Voted Charter Amendment (cont'd)

- Example 2:
 - “Shall the City of _____ levy a new millage of 5.0 mills (\$5.00 per \$1,000 of taxable value) for a 10-year term (2025 through 2034 inclusive), for purposes of improving, replacing, resurfacing and reconstructing roads in the City, including drainage improvements and curbs and gutters, together with necessary rights-of-way, appurtenances and attachments? It is estimated that the levy will generate \$_____ in the first year.”



Voted Headlee Override

- One of the more complicated and harder to explain votes possible
- Resets the operating millage back to original cap (column 4 on your L-4029)
- Headlee restarts rollbacks the following year
- Vote is for increased operating millage and not dedicated to a particular purpose



Voted Headlee Override

- Example:
 - “This proposal will restore the authority of the City to levy 20.00 mills for general operating purposes by restoring millage authority that has been reduced by operation of the Headlee Amendment and replacing the ____ mills operating millage previously authorized by electors in (year), which has been reduced to ____ mills. If approved by electors, the restored millage would continue to be subject to annual reduction by application of the Headlee Amendment. Shall the limitation on the amount of taxes which may be imposed on taxable property in the City of _____, County of _____, State of Michigan be increased by ____ mills (\$____ per thousand dollars of taxable value) indefinitely beginning in (year), as new additional millage in excess of the limitation imposed by Michigan Compiled Laws section 211.34d, to restore City Charter operating millage authorization previously approved by the electors as reduced by operation of the Headlee amendment, to provide funds for general operating purposes? It is estimated that ____ mills would raise approximately \$_____ when first levied in 2025.”



Voted Bond Issue

- Very straightforward vote
 - Voting certain amount of money for certain projects with a certain bond payback period
- Millages (first year and average) are estimates
 - Actual millage levied changes every year as taxable value changes
- Must issue bonds to levy tax
- Must use bond funds for capital improvements listed in vote language (cannot be used for operating or maintenance)



Voted Bond Issue

- Example:
 - “Shall the City of _____, County of _____, Michigan, borrow the principal sum of not to exceed _____ Dollars (\$_____) and issue its general obligation unlimited tax bonds, in one or more series, payable in not to exceed _____ (___) years from the date of issuance of each series, for the purpose of paying the cost of acquiring and constructing street improvements in the City, consisting of paving, repaving, reconstructing and improving streets, together with related curb, gutter and drainage improvements and all necessary appurtenances and attachments? If approved, the estimated millage to be levied in (Year) is _____ mills (\$____ per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds is _____ mills (\$____ per \$1,000 of taxable value).”



Voted Bond Issue Example

DURAND CITY

STREET IMPROVEMENTS BOND PROPOSAL

Shall the City of Durand, County of Shiawassee, Michigan, borrow the principal sum of not to exceed Six Million Five Hundred Thousand Dollars (\$6,500,000) and issue its general obligation unlimited tax bonds, in one or more series, payable in not to exceed twenty (20) years from the date of issuance of each series, for the purpose of paying the cost of acquiring and constructing street improvements in the City, consisting of paving, repaving, reconstructing and improving streets, together with related curb, gutter and drainage improvements and all necessary appurtenances and attachments? If approved, the estimated millage to be levied in 2017 is 4.00 mills (\$4.00 per \$1,000 of taxable value) and the estimated simple average annual millage rate required to retire the bonds is 5.81 mills (\$5.81 per \$1,000 of taxable value).

2018 Bonds - \$1,024,000 over 14.5 years
2019 Bonds - \$2,400,000 over 19.5 years
2021 Bonds - \$1,850,000 over 19.5 years
2024 Bonds - \$1,226,000 over 9.5 years

First levy – July 2018
Final levy – July 2040



Indirect Funding

- Typically done in communities that are having a hard time getting the council/board and/or taxpayers to authorize a road millage or special assessments
- Example options communities have pursued:
 - Community-wide police and/or fire special assessments
 - Public safety millages
 - Pension bonding
 - Is there a pension funding cliff coming up in your community that will allow budget reallocations soon?



Development Agreements

- Many communities require developers to fund the utilities and roads inside their proposed developments
 - Don't let developers convince you otherwise, unless you want to fund them
- Can we convince a new development to pay for repaving the main road leading to the development?
 - If their development is causing water/sewer upgrades upstream/downstream, maybe they should pay for those and road replacement, if needed



Debt Issuance

- Voted Unlimited Tax General Obligation (UTGO) Bond Issues
 - 10% of SEV debt limit
- Limited Tax General Obligation (LTGO) Bond Issues
 - Capital Improvement Bonds
 - Applies to 10% overall and 5% of SEV debt limits
 - Michigan Transportation Fund (MTF) Bonds
 - Separate 50% of Act 51 revenues test
 - Special Assessment
 - Separate 12% overall and 3% yearly SEV debt limits
 - Tax Increment Financing
 - Applies to 10% of SEV debt limit



Education to Taxpayers

- Community Example – City of Linden
 - <https://www.lindenmi.us/august-2022-millage-proposal>
- Can't say “vote yes”, but you can educate why and how the money will be spent (talk to attorney for full details)
- QR codes placed in high traffic areas are the community going to dedicated website page
 - Controls narrative well
 - Accurate information can be disseminated easily and cost effectively



Maintenance Programs

- How can we prevent the “green” roads from turning “red” over time
 - We didn’t get where we are as a state overnight, so the fixes won’t be overnight either
 - We need to start preventing the next 10-20 years of issues now
- Water is the enemy
 - Proper drainage from surface and side of road
- Crack sealing and immediate pothole repair
- Shared services



Shared Services

- County Road Commission
 - Bidding projects as a county, instead of just the project(s) in your community
 - Shared maintenance programs
 - Economies of scale
- Partnering with neighboring communities for the same types of benefits listed above



Important Takeaways

- There are options to fund roads out there
- No “one size fits all” solution
- Grants and earmarks need to be continually researched
 - Change in political leadership and election years present opportunities
- Holistic capital improvement planning
 - Debt limits affecting bond issuance
- Maintenance programs need to be researched and invested in
- Working group involvement early

Questions?



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Disclosure

The information provided here is intended as a general guideline and is not intended as a recommendation. For your particular situation, the services of a Registered Municipal Advisor should be obtained.

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