

Memorandum



DATE: December 2 , 2020
TO: Senate Economic and Small Business Development Committee
FROM: City of Bay City Commission & Mayor
SUBJECT: Senate Bills 1215, 1216, 1217, 1218

My name is Dana Muscott and I am the City Manager for the City of Bay City. I am here to offer Bay City's strong support for Senate bills 1215-1218 and to urge you to pass this bill package which will allow us to replace and repair our dangerously deteriorating bridges to protect both the public health and safety of our citizens and our local small business economy.

The City owns two bascule (or movable) bridges that are in need of rehabilitation and/or replacement and the City does not have the financial resources required to dedicate to them. The Independence and Liberty Bridges (Bridges) have experienced multiple unplanned closures and reliability is critical to fire and emergency services where minutes to reroute can be the difference in life and death situations. Bridge closures also have an adverse effect on our small business owners as was evident during the City's largest and most popular Fourth of July festival last year when we had to close off access to the Liberty Bridge due to safety concerns.

Recognizing the need to mitigate further harm to our local economy, the City and the East Michigan Council of Governments commissioned OHM Advisors, to conduct a technical study to assess the immediate repair needs for the bridges and evaluate long term solutions. This study estimated replacement costs of at minimum \$29.5M total -\$116.9M for the Liberty Bridge and \$85.6M for the Independence Bridge.

A community survey was also commissioned by the Bay Area Chamber of Commerce which overwhelmingly validated that 75-80 percent of the area residents do not want the Bridges closed but the survey also concluded that residents would not support a millage to cover the cost of repair.

Bay City does not have the financial resources to address the estimated \$30M minimum in short-term capital improvements to keep the Bridges open, safe and reliable. The ongoing maintenance capital already makes up a large portion of the City's annual transportation infrastructure budget¹. Michigan law restricts the amount of debt the City can incur to finance capital improvements, and

¹ The City's adopted budgets for fiscal years 2013-2020 are publicly available here:
<https://www.baycitymi.org/Archive.aspx?AMID=42>

without support for a millage, a bond program to finance capital improvements is legally and practically impossible.

The City greatly appreciates the funding the State has provided for bridge operations in recent years from the State's Movable Bridge Fund. While this funding has been essential for operations, it does not address the costly maintenance and capital improvement requirements. Given that City, State, and Federal funds are not available to repair the structures, the City sought innovative solutions to the financial burden of these Bridges.

After issuing an RFP for alternative solutions to rehabilitate the bridges, the City partnered with Bay City Bridge Partners (BCBP). BCBP proposes to finance, design, construct, lease, operate and maintain the rehabilitation and modernization of the Liberty Bridge and build a new replacement for the Independence Bridge at no cost to the City. Costs would be recouped through tolling. Implementing this solution would eliminate the City's need for state funding for operations and save the state up to \$500,000 per year.

The City and BCBP have entered into a project agreement² that outlines a series of controls and public protections that will be part of a long-term lease to ensure that the roadways are kept open as vital transportation assets for the public. These provisions are consistent with the proposed legislation and includes requirements that BCBP inspects, maintains and operates the Bridges in accordance with federal and state regulations, which has been expressed to us by MDOT as a necessity. The Project Agreement also outlines the tolling structure and adjustment process as well as public notice and public comment requirements.

Cities in Michigan currently do not have authority to toll a municipally-owned bridge directly or under a concession arrangement. Under a public-private concession arrangement, any power to toll would need to be based on the property owner's ability to levy such tolls directly. As a result, the City and BCBP cannot enter into a concession agreement under current Michigan law to allow BCBP as concessionaire to collect tolls for vehicles crossing the Bridges.

As a result, we urge you to pass the proposed bills that will provide Bay City and other municipalities in Michigan with another tool to solve infrastructure funding challenges without the need for additional state or federal funding. The proposed bills will allow the City maintain ownership of the bridges and lease them to BCBP in accordance with the Project Agreement. This will allow the parties to promptly proceed with the construction of the New Independence Bridge and the Rehabilitated Liberty Bridge to serve the critical transportation infrastructure requirements of Bay City and the surrounding region. This will save the State operations funding and allow the City to redirect the dollars formerly used for maintenance of the Bridges to other municipal priorities such as our COVID-19 response or to other infrastructure priorities like roadways, water and sewer. The private financing solution resolves a funding problem that appears to have no public solution while stimulating the local economy by protecting and creating jobs.

² Agreement publicly available here: <https://baycitymi.civicclerk.com/Web/GenFile.aspx?ad=794>