



G2 Consulting Group & Partners Provide **2017 Construction Outlook** for Public Sector Projects

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After years of debate, in late 2015 Governor Snyder and the Michigan legislature passed a road funding bill to address the state's crumbling roads, bridges and infrastructure. Included in that bill is a gas tax hike and vehicle registration fee increase set to take effect in January 2017. G2 Consulting Group, headquartered in Troy, asked its partners what changes they expect to see for Michigan infrastructure for 2017 and beyond.

Sandy Baruah, the Detroit Regional Chamber's president and CEO, said that Michigan's business community believes the state has underinvested in infrastructure for years. In fact, infrastructure is now the top public policy priority among Michigan residents - beating even jobs and the economy - for the first time in the history of a Michigan State University survey that tracks the subject.

According to G2 Consulting Group's Jim Berry, a veteran civil engineer with 30 years experience, the Michigan road industry has learned a lot of valuable lessons over the recent 'lean' years. "Tight budgets required that we look at every component of the road building equation to ensure that we maximize the potential fix. There has been constant innovation in road evaluation and construction in recent years. Now that the state has a funding plan in place, the entire industry can be even more effective in its strategic approach to deploying road dollars with maximum benefit."

Kirk Steudle, MDOT Director, has

repeatedly mentioned that ramping up state transportation spending rapidly without a corresponding increase in the road construction industry's capacity to perform the work might just lead to higher costs. Although Michigan residents want better roads now, it's prudent to first align the necessary resources and funding to maximize the ROI.

OHM Advisors' John Hiltz suggests that while 2017 will see an uptick in project work, however, it will take time for the new budget to develop, so the increase in road funding activity probably won't truly be felt before 2018. "We would expect to see a small, but steady increase in public projects going forward. In the meantime, many construction companies will organize internally and upgrade equipment in preparation for future opportunities."

In addition to state funding, Hiltz suggested that local governments have seen more financial stability in property tax revenues, utility revenue, and gas taxes. With interest rates continuing at all-time lows, more communities are refinancing old debt, borrowing for infrastructure projects and/or receiving community support for local road millage programs.

By way of example, Leigh Schultz, Southfield's city engineer, said that after Michigan's original Prop 1 Road Improvement Plan failed, the City of Southfield passed a \$99 million bond for local improvement projects. "Our residents understand the value of good roads to

attract economic opportunities. In addition to addressing critical needs, the bond has helped us be aggressive in seeking federal grants that often require matching funds from the municipalities themselves."

According to Schultz, "We look to the state to provide the long-term vision and to tackle many of the most significant projects, which the new funding will greatly accelerate. Communities still need to find ways to improve their own respective networks."

Other city managers echoed the idea that Michigan communities have become adept at leveraging scarce funding by using a combination of new technology, holistic infrastructure planning and lessons learned.

Paul O'Meara, Birmingham city engineer, said, "New technologies like Roadsoft have become great tools for road analysis and tracking. We drive each and every street each year to visually inspect road conditions, and we use a comprehensive database on road conditions to help us chart our future plans."

G2 Consulting's Berry agrees that the available new road planning technologies add tremendous value and help to make new projects more efficient and long lasting. He also stresses the importance of visual inspections of road surfaces. "It's equally important to analyze and evaluate below-the-road factors - soil and pavement conditions, drainage, and the level of deterioration a road has experienced over a time period - to determine the best approach within an environment. This

information is key to prudent decision making. With the huge amount of work that needs to be done across Michigan communities, we all want to get the most out of every dollar spent and thorough up-front investigation of below-the-road factors will help to ensure that we do.”

There’s no doubt that significant infrastructure improvement is coming to Michigan in the relatively near term. The projects are creating jobs and opportunities not only in the construction industry itself but among construction equipment and materials providers and among the myriad businesses that benefit from improved infrastructure and better communities.

Yet truly improving Michigan roads will require a collaborative approach between all levels of government, engineering firms and their suppliers working together to address critical issues efficiently and in the most cost effective manner possible. The shared goal is to significantly improve drive quality experience for Michigan motorists.

“It always takes time for new budget and tax revenue to actually hit government and municipal coffers,” says Mark Smolinski, PE, G2 principal. “As a result of talking with our colleagues, we agree that 2017 will see an increasing in public projects as the state and local municipalities begin to ramp up their spending. We also believe it’s a smart time for us to make investments in our people, equipment and processes to make us even more competitive. Ultimately this will help us add more value for our clients in the future as the project pipeline becomes more robust.”

Berry captures the cautious optimism expressed, “With a combination of

increased state funding and local communities doing their part, hopefully, we’ve turned the corner and Michigan roads will see significant improvement over the coming years.”



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