

Ad Hoc Committee on Road Funding Supporting Information

Ad Hoc Committee

In November, 2004, the City put a request for a millage of 2.9 on the ballot to provide funds for the Local Road Program, but the proposal failed. In January, the Mayor called for a **Citizens Ad Hoc Committee** on Roads, to look for solutions to the road-funding crisis. After two initial meetings **where** comment was taken from a large number of residents, the current 15-member committee was formed, and has continued to meet consistently for the past 6 months.

The Ad Hoc Committee was subdivided into three subcommittees -- Operations, Finance, and Trust. The **Operations** subcommittee evaluated the way the City's DPS conducts its work, and what road replacement policy the City should adopt. The **Finance** team was charged with understanding how road repair has been funded in the past, and how it should be funded in the future. The **Trust** team explored ways in which the City can enhance its image and credibility with the residents.

The 3 subcommittees then came together to share their results and combine their knowledge, in order to begin to craft a solution. Operations concluded that our DPS Department was proposing to use the most **cost-effective** road construction standards acceptable to our community. Finance examined possible sources of revenue for local roads, and concluded that a **dedicated tax** was needed for long-term viability and the city's overall financial health. Trust felt that the two major sources of mistrust of government were lack of adequate **communication** on the part of the City, and lack of involvement on the part of residents. These combine to create a reliance on rumor and disinformation. Improvements are needed in the way the City communicates with and markets itself to residents.

City **staff** worked side by side with committee members, providing facts, figures, documents, and explanations to every question presented to them. This level of **cooperation** between the administration and residents is perhaps unprecedented in our city. As the committee gradually developed and refined their goals for a solution, City staff **worked ceaselessly** to craft possible policies, budget proposals and compromises that would meet those goals. The result of this collaboration is the proposal contained in this document.

Impact of Charter

Prior to 1984, when this area was Avon Township, local roads (that is, subdivision streets) were maintained by Oakland County. This responsibility shifted when voters adopted the Charter creating the City of Rochester Hills. Unfortunately, the Charter **failed to include** a funding source specifically for local road maintenance and repair.

Our City's Charter was written to leave the management of the City largely in the hands of the voters. This was done by providing for a **limited "General Fund"** to cover the basic administration of government, and setting up **"Dedicated Funds"** for all other services. The only dedicated funds (from taxes) originating

in the Charter itself are for a Fire Department and a Library. Other services must be chosen by the voters, in the form of taxes (millages) which are dedicated to specific uses. Dedicated funds **CANNOT** be spent on anything other than the use specified in the millage -- the money cannot be “shifted” or “re-allocated” to any other use.

Millages are not permanent – they all come up for renewal at various times, when the **voters** decide whether these services should continue to be funded. Over the years, the voters of Rochester Hills have added dedicated millages for police, RARA, OPC, and the Bike Path system, as well as one local road millage which expired in 1996 and was not renewed.

Impact of Tax Structure

Rochester Hills is the 5th largest city in Oakland County, and yet currently has the **3rd LOWEST tax rate**, which has not been increased since 2001. (check that) In addition, 80% of the property tax levied in this city is **on residential property** (check that) rather than commercial, and it has been shown that the revenue from residential taxes does **not fully fund** the cost of services to those homeowners. A study done in 2003 reported that for each dollar generated by residential property, \$1.49 is spent in services.

Furthermore, the City receives just **30 cents of each dollar** a homeowner pays. This is because about 70% of the property tax the City collects is distributed among Oakland County Intermediate Schools, Oakland Community College, the State Education Fund, local school operations, local school debt, Oakland County operations, Oakland County parks, and Huron-Clinton parks

Finally, our City, like cities all across Michigan, is seeing the detrimental effects of **Proposal A** interacting with the **Headlee** Amendment in such a way as to severely limit growth in municipal tax revenue.

Available Funding for Local Roads

Here in Michigan, the primary source of revenue for roads comes from the State gasoline tax (**Act 51**). By state law, **only 25%** of Act 51 monies can be spent on **local roads**. This revenue does not cover the entire cost of local road maintenance and repair. In the early years of Rochester Hills, the home construction boom, along with the Act 51 revenues, provided enough funds to cover the required plowing, salting, and other street maintenance. But costs have steadily **increased**, as more residential streets have been added, and as existing roads have aged. The housing boom has leveled off, many of our local streets have exceeded their 20-year lifespan, and there has been a decrease in state revenue sharing.

The City of Rochester Hills is currently responsible for maintaining (including snow plowing, repairing, and resurfacing) **254 miles** of local roads. In 2004, an independent consulting firm concluded that the cost of this will be **\$103 million over the next 10 years**. (“Evaluation of Funding Strategies for Local Road Reconstruction and Maintenance”, Rehmann Robson CPAs, June 30, 2004.)

Efforts to meet these costs have included transferring money from the General Fund and selling bonds. The City has also instituted a variety of administrative **cost-saving actions**, including personnel

reductions, changes to employee benefits, purchase deferrals, and procedural improvements. (for a full text of all of the City's cost-cutting efforts, see Attachment A.) But in spite of aggressive budget-tightening, the cost of maintaining local roads in Rochester Hills has **grown too large** to be funded any longer by incurring additional debt or transferring money from the General Fund. The predicted cost of just ONE YEAR of local road needs is **10.3 million dollars**, and that is more than the entire unallocated portion of the General Fund for a year.(check if this is accurate)

The Proposal

(should this be the version that Julie Jenuwine edited?)

The Committee anticipates that at the end of 10 years, a dedicated millage will still be needed to provide additional funding for the Local Roads Program. Because the major reconstruction of local roads will be accomplished under this proposal, there is every indication that the City will be able to request a LOWER millage at that time.

Attachments

- List of definitions: Millage, SAD, Act 51, Proposal A, Headlee, CIF, LRF, MRF, GF, Debt Services Funds, Local Roads, residential streets, residential street program, Charter, DPS,
- Color-coded 10-year road condition map
- Contact information for staff and key committee members
- Tax info sheet that shows how to figure individual homeowner's cost
-
-