

Residential Streets Ad-Hoc Committee

Residential Street Program

August 3, 2005

RE: Report and Millage Proposal

Members of City Council:

The millage and policy proposals that are the subject of this Report come before City Council on behalf of the 14 named members of the Residential Streets Ad-Hoc Committee (the “Committee”). The Committee was formed in January 2005 for the purpose of investigating issues of policy, procedures, and funding of the maintenance and repair of our city’s local road network.

The findings of our numerous investigations and analyses are best summarized in the formal proposal, which follows. In support of the proposal, a summation of our due-diligence is under development and will be presented to the City Council as soon as possible.

We respectfully request that City Council accept our findings, and that you vote to approve our proposal, thereby causing to place the millage question on the November ballot and acting upon the policy and resolution requests.

Respectfully Submitted,

Gary Elliott

Mike Kaszubski

Dennis Mueller

Tom Satkiewicz

Henry Ware

Paul Franklin

Dave Kibby

Jerry Romito

John Strzalka

Bill Windscheif

Ben Jones

Brenda Mueller

Don Ruff

Beth Tilove

Residential Street Program Funding Proposal

Our funding proposal consists of five (5) integrated parts (collectively the “Funding Proposal”). Part 1 is a millage request of the voters; Part 2 proposes a new policy with respect to Debt Service Payments; Parts 3 & 4 propose temporary changes of policy; and Part 5 refers to funding derived from Act 51, and involves no changes. Please note that Part 1 is the only part that requires voter approval. Parts 2, 3, and 4 require your approval.

PART 1 – Millage Request:

A 10-year, graduated millage, beginning at 1.5 mills in 2005 and increasing by .33 mills each year thereafter, until a maximum levy of up to 2.75 mills is reached, which is estimated to be in calendar year 2009. The tax would be assessed at no more than 2.75 for the remaining five (5) years of the proposal.

- This will generate approximately \$5.1 million in the first year.

PART 2 – Debt Service Payments:

Decrease the transfers out from the Local Road Fund to the Debt Service Funds. The Debt Service Funds’ fund balance will be used to offset the decreased transfers.

- This will generate approximately \$300,000 to the Local Road Fund in the first year.

PART 3—Capital Improvement Fund:

Approve a temporary (2 year) redirection of General Fund monies from the Capital Improvement Fund to the Local Road Fund, equaling one-half mill in 2006 and one-quarter mill in 2007.

- This will generate approximately \$1.7 million in the first year.

PART 4 – Major Road Fund:

Approve a temporary (4 year) redirection of General Fund monies from the Major Road Fund to the Local Road Fund, equaling one-half mill in each of 2006 and 2007, and a quarter-mill in each of 2008 and 2009.

- This will generate approximately \$1.7 million in the first year.

PART 5 – ACT 51:

Continue to utilize the portion of Act 51 monies that are allocated to the Local Road Fund.

- This will generate approximately \$1.2 million in 2006.

Funding Proposal Totals for Year One (all figures are rounded)

Part 1 – Millage Request --	\$5.1 million
Part 2 – Debt Service Funds --	0.3 million
Part 3 – Capital Improvement Funds --	1.7 million
Part 4 – Major Road Fund --	1.7 million
Part 5 – Act 51 --	<u>1.2 million</u>
Total --	\$10 million

Proposed Ballot Language

In order to pay costs associated with the maintenance (including snow and ice removal), repair, resurfacing, and reconstruction of local residential streets and bridges, shall the City of Rochester Hills levy a new millage for a period of ten (10) years of up to 1.5 mills (\$1.50 per \$1,000 of Taxable Value) the first year, and levy an additional .33 mill (\$0.33 per \$1,000 of Taxable Value) beginning in the second year, and an additional .33 mill (\$0.33 per \$1,000 of Taxable Value) each year thereafter until the millage reaches, but does not exceed, a maximum amount of up to 2.75 mills, on the taxable value of all property assessed for taxes in the City of Rochester Hills? If approved, the estimated amount of revenue that will be collected in the first year, if the millage is levied in full, is \$5,102,964.

Core Principles of the Residential Street Program Proposal

Our proposal is based on specific assumptions and criteria related to the expected levels of service and funding availability. Through the combined efforts of City staff and residents serving on the Committee, certain specific expectations for the local road program were developed, and the Proposal is designed to adequately fund those levels. The following items are integral principles used in the development of our proposal, and help define the expected DPS operating budget and corresponding local road level of service for the millage duration.

1. Snow and ice removal service will be restored to 2003 levels. This effort will remain in effect for a minimum of ten (10) years, beginning in 2005. Furthermore, the DPS Field Work Crews will be restored to 2003 staffing levels.
2. Subdivisions with public and paved streets will not be required to utilize a Special Assessment District (SAD) to fund the maintenance, repair, resurfacing, or reconstruction of their streets during the life of the Millage. Subdivisions desiring to have their gravel roads paved for the first time are free to petition Council for an SAD agreement in order to fund the project.
3. Streets that are partially repaved will be replaced with in-kind materials. However, in cases where 100% of the streets in a subdivision are slated for reconstruction and the use of asphalt will result in significant cost-savings to the City, the replacement road surface will be asphalt, with concrete curb and gutter where appropriate. If the majority of residents in a concrete subdivision prefer the reconstruction to be in concrete, they can make application for an SAD in order to pay the difference.

Action Items Proposal

Since 1984, the City has put forward seven (7) road millage proposals, and the voters have rejected six (6) of them. In order to begin to reverse this negative trend, the Committee feels that the underlying causes must be addressed. The most basic of these is a lack of effective communication between the City and its residents. The scope of the Residential Street Program that will be funded by this millage, and the accountability of the City for its administration, must be clearly communicated to the voters. Therefore, in addition to accepting our proposal, it is recommended that the City undertake the following supportive efforts:

1. Prior to the millage ballot this November, but as soon as practical, the City Council will engage a firm to help in the development and production of informational and educational materials to be used extensively throughout the community in advance of the November election.
2. The City shall adopt a written statement of the definitions, policies, and guidelines that will govern Residential Streets Program maintenance, repair, resurfacing, and reconstruction during the time covered by the Millage. This statement will be made available to every resident upon request and sent via U.S. Postal Service or by internet.
3. The City shall publish, each spring, an updated list of residential streets that were repaved or reconstructed in the previous year, streets planned for the current year, and those planned for the following year. Other information that would be beneficial to the public may be included. This statement will be made available to every resident upon request and sent via U.S. Postal Service or by internet.
4. The City Administration and the Community Development & Viability Committee (CDV) will keep the lines of communication open between the City and its residents regarding the priority and spending of funds generated by the Millage by continuing the interaction and involvement of the Residential Streets Ad-Hoc Committee.

Summary

In 2004, a commissioned study to evaluate funding sources for the local area road network was completed by the independent consulting firm of Rehmann–Robson. The conclusion of said report, specific to the question of funding options, is that the City’s Local Road Fund needed an estimated \$10.3 million annually over the next ten (10) years to meet the City’s maintenance, repair, resurfacing, and reconstruction needs. The November 2004 millage request of 2.9 mills would have generated appropriate revenue, but the proposal failed. The need for adequate funding remains, and is a paramount issue.

Our Committee’s proposal incorporates a combination of graduated tax and policy changes. Each of these components is tactically designed to address different aspects of the funding equation. First, the graduated tax approach starts out at a moderate level and increases gradually in predictable amounts to a specified “not-to-exceed” level. This incremental financing approach: (i) minimizes the first year impact to taxpayers; (ii) respects the financial limitations certain of our residents face; (iii) allows for prudent financial planning; and (iv) provides a level of funding in year one that begins to address deferred maintenance and repair, bringing our roads to a more manageable category. Second, by adopting Part 2, which involves implementing new policy, and Parts 3 & 4, which are temporary changes in policy, the City demonstrates its commitment to its residents by embracing a funding policy which limits the financial burden on the taxpayer and fully addresses the short and long term safety and quality issues regarding our residential streets. Note, the millage proposal alone is not sufficient to fund the entire Residential Streets Program.

The net result of our millage and policy request is that the City can go to the voters with a millage request that starts out less, and ends up less than the request made in 2004, while still enabling the City of Rochester Hills to achieve its goal of preserving its infrastructure and providing safe, well maintained residential streets.

Since 1984, the City has put forward seven (7) road millage proposals, and the voters have rejected six (6) of them. In order to begin to reverse this negative trend, the Committee feels that the underlying causes must be addressed. The scope of the Residential Street Program that will be funded by this millage, and the accountability of the City for its administration, must be clearly communicated to the voters.

Closing

The members of the Residential Streets Ad Hoc Committee received unstinting cooperation and assistance from all key members of the City staff. Additionally, the Mayor has given us full and unwavering support throughout this process. The financial projections attached hereto have been verified by the Finance Director with support from the City's Treasurer/Assessor, the Director of Public Service, and the City Engineer. Every Director, along with the City's Engineering Department and the Supervisor of DPS Operations, provided us with the resources necessary to complete our investigation and craft our Report.

This Report and Funding Proposal represent the outcome of the combined efforts of City staff and area voters. The solutions presented herein were crafted through an extensive series of meetings that involved a straightforward exchange of concerns, criticisms, and ideas. No topic was off-limits, and to the contrary, areas of investigation were offered and encouraged by the staff. This collaboration resulted in a spirit of open-mindedness and compromise that showed respect for every point of view.

We, the under named, request the City Council approve this Proposal, thus placing it on the November 2005 ballot. Further, we encourage you to give it your full and proactive support by undertaking a campaign to educate and inform our citizens of the real need for, and importance of, the passage of the millage proposal.

Respectfully Submitted,

Gary Elliott

Mike Kaszubski

Dennis Mueller

Tom Satkiewicz

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