

CITY OF ROCHESTER HILLS
CITY COUNCIL ROAD COMMITTEE
REPORT TO THE CITY COUNCIL

DATE: 8 May 1998

SUBJ: Local Road Improvements - Funding & Implementation

BACKGROUND AND PERTINENT FACTS

Roads in Rochester Hills came under the city's jurisdiction in 1985. Prior to that year, designing, maintaining and repairing streets in Avon Township were the responsibilities of the Road Commission for Oakland County (RCOC). Following the tradition established under the RCOC, Rochester Hills' local road improvement funding plan from 1985 to 1990 relied upon special assessments for both paving gravel roads and rehabilitating paved streets; with a city contribution of 10% toward the project costs and a 90% share to be borne by each special assessment district (SAD).

The city's share of funding for the special assessment program came primarily from a public roads millage (up to 1 mill) approved by the voters in 1986 and levied for the last time in 1995.

In November, 1996, voters defeated a proposal to amend the City Charter to authorize the city to levy up to 3 mills to be dedicated to maintenance and improvement of residential, local roads. Under that proposed program, the city would have paid the costs of pavement rehabilitation projects, without a reliance on special assessments. Special assessments for gravel-to-pavement road improvements would have been capped at \$3,500 per benefit unit.

In 1990, the City Council decreased the SAD share for rehabilitating paved streets to 60%. In 1997, the Council decreased the SAD share for gravel-to-pavement projects to 75%. Both changes were intended to encourage greater participation in local road improvements by reducing costs to residents. Nevertheless, many residents continue to find the costs to be prohibitive; and have chosen either not to initiate an SAD project or to petition the Council to terminate a planned project. As a result, not only were local roads not being improved, but the Public Road Millage funds raised from 1986 to 1995 in anticipation of paying the city's 40% or 25% share of special assessment projects accumulated in the Local Road fund. Since accepting jurisdiction of the road system in 1985, only 3.25 miles (1.6%) of the local road system has been rehabilitated, a clear indication of the lack of success in past and current rehabilitation policy.

The City Council Road Committee held a series of public forums in 1997 and continued to seek public input in 1998 in order to help the Committee formulate a funding plan that would be acceptable to the community.

Hundreds of residents participated in the public forums. The 1997 Public Opinion Survey of Rochester Hills Registered Voters has also provided valuable feedback from the community that has helped the Road Committee incorporate the opinions of the public in a new local road improvement funding plan.

Local Road Funding Questions/Answers from the Oakland University Survey - 1997

How should reconstruction of paved streets be funded?

28%	Special Assessment
45%	Millage
27%	Uncertain

How should long-term maintenance projects be funded?

14%	Special Assessment
57%	Millage
29%	Uncertain

What is the maximum addition to your annual property tax bill you would be willing to pay to fund road improvements? (answers averaged per home market value)

Avg. \$ Increase	Home Mkt. Value	% of Surveys Who Responded "\$0"
\$59	Under \$100,000	20% (6 out of 30)
\$90	\$100,000 - \$199,999	20% (26 out of 131)
\$114	\$200,000-\$299,999	12% (11 out of 92)
\$137	\$300,000-\$399,999	8% (2 out of 25)
\$148	More than \$400,000	40% (2 out of 5)
Combined total who responded "\$0"		15% (47 out of 311)

Should any new millage for road improvements be permanent or limited to a fixed time period?

8%	Permanent
71%	Fixed Time Period
21%	Uncertain

Are you familiar with the [1996-proposed] Local Road Improvement Plan?

26%	Yes
68%	No

6% Uncertain

If yes, are you aware that the Local Road Improvement Plan lacks a dedicated funding source?

77%	Yes
16%	No
5%	Uncertain

ANALYSIS

Pavement management funding needs, citywide, for local and collector residential streets were documented in 1996 to be \$43 million. It was estimated that \$6 million per year in 1996 dollars would be optimal to address these and projected future local road needs that would arise as other roads aged and required maintenance or rehabilitation.

Residents at the public forums and meetings over the past year and a half offered thoughts and ideas about funding options and the reasons for the failure of the 1996 ballot proposal. The 14 May 1997 forum with the seven subdivisions whose paved roads are most in need of rehabilitation verified that SAD costs for rehabilitation are prohibitive, even with the city paying 40% of the costs. One resident suggested that the November 1996 ballot question be repeated again and again until it passes; most said a non-permanent, lower millage would be preferred. Differing ranges were recommended - from a 10-year to a 20-year millage anywhere between the former 1 mill that expired in 1995 and the 3 mills that was proposed in 1996.

Funding options:

1. A dedicated millage (fixed term)
2. Cut/eliminate other programs and use the money for local roads
3. Utilize existing funds to address some of the problems before collecting a new millage
4. Do nothing (this idea received no endorsement; but it is always a choice)
5. Special assessments (this idea highly unpopular for road rehabilitation projects, but has appeal for gravel-to-paving projects if there is a cap on assessments)
6. Look for new funding sources, even if they're only one-time sources
7. Let residents hire their own contractors and pave the roads to the standards they are willing to pay for
8. A combination of some of the above

It is clear that we will not have 100% support within the community for any of these choices. The most palatable solution to the largest number of people appeared to be pursuing a combination of funding options that would include options 1, 2, 3, 6 and the establishment of a cap on special assessments for gravel-to-pavement projects.

#4 - "Do nothing" was clearly not the choice of the public; and is not considered by the Road Committee to be a prudent decision for the City Council to make.

#7 - The frustration behind this suggestion is understood by the Road Committee; however, the City Council and Administration cannot in good conscience pursue an idea that would put the taxpayers of this community at risk - both in terms of potential public safety concerns and taxpayer liability.

Potential funding sources have been reviewed at length by the Road Committee. We have put together a funding plan that includes a dedicated, fixed term millage, using existing sources, identifying new sources, cutting other programs and providing funding supplements from the General Fund, plus establishing an assessment cap for gravel-to-pavement projects.

The Road Committee, the citizens who participated in our discussions, and the city staff worked through various funding scenarios in order to develop what we consider to be the most prudent long-term funding plan that incorporates as many of the community's ideas and suggestions as possible, while keeping a focus on the need to address our deteriorating local road situation.

Pros & Cons of different millage request scenarios

1. 15-Year Millage Request on 1998 Primary Ballot - To Be Levied 1999-2013

Pro1: We will know before adopting the 1999 Budget whether or not post-1999 funding will be available for future projects. Thus, we will have an opportunity not to "gut" the local road fund balance for a few projects, should future funding not be assured for the remainder of the city.

Pro2: If millage request passes, the city can meet the "most palatable" combination of options as described above (Options 1, 2, 3, 6, and a funding cap on special assessments for gravel-to-pavement projects).

Pro3: If millage request passes, the city can proceed with projects in 1999 utilizing existing funding sources as identified below and will not begin collecting the new local road millage until December 1999 for use in Budget Year 2000. Thus, we can have 16 years of local road improvements funded through existing funds (year 1) and a 15-year millage (years 2-16).

Con1: Asking people to vote in 1998 for a millage that would not be levied until the 2000 Budget Year may lead to voter confusion.

Con2: If Council agrees on May 20 to place a question on the August Primary Ballot, we will have only 2+ months to inform the community about the plan and its components.

Con3: In a gubernatorial election year, voters will be bombarded with campaign materials from candidates for all offices from county commissioner to governor; and

might not give the attention to a city ballot question that it would receive in a city-only election (e.g. 1999 election year).

2. 15-Year Millage Request on 1998 Primary Ballot - To Be Levied Starting this year (1998-2012)

Pro1: We will know before adopting the 1999 Budget whether or not post-1999 funding will be available for future projects. Thus, we will have an opportunity not to "gut" the local road fund balance for a few projects, should future funding not be assured for the remainder of the city.

Pro2: If millage request passes, the city can proceed with projects in 1999 utilizing existing funding sources as identified below; and the Council can decide when setting millage rates for 1998 NOT TO begin collecting the new local road millage until December 1999 for use in Budget Year 2000. Thus, we can have 15 years of local road improvements funded through existing funds (year 1) and a 14-year millage collection (years 2-15).

Con1: People are typically suspect when told "if you vote for this new millage, we won't levy it the first year, even though the ballot language says we can."

Con2: We would lose one year of funding and projects that could be completed as compared to Scenario 1 above.

Con3: If Council agrees on May 20 to place a question on the August Primary Ballot, we will have only 2+ months to inform the community about the plan and its components.

Con4: In a gubernatorial election year, voters will be bombarded with campaign materials from candidates for all offices from county commissioner to governor; and might not give the attention to a city ballot question that it would receive in a city-only election (e.g. 1999 election year).

3. Spend Existing funds in 1999 - then ask voters in 1999 to approve 15-year (1999-2013) millage.

Pro: Meets Option 3 criteria - spend first before collecting new millage.

Con1: We would "gut" the local road fund balance for a few projects without assurance that future projects can be funded.

Con2: Potential loss of support for funding plan from people in 1999 projects who may have the attitude - "thanks, fellow-taxpayers, for paying for my new road, but I'm not inclined to help with yours."

All of us who participated in these discussions are aware that it is impossible to "please everyone." The 15% who said in the 1997 Survey that the maximum additional tax they would be willing to pay to fund local road improvements is "\$0" may believe that this proposal means we did not listen to them. However, their answers of "\$0" were included in the averages that indicated what our residents would be willing to pay to fund road improvements.

Finally, it bears noting in the analysis that roughly 30% of a millage spread citywide for residential, local road improvements will be paid by the city's business, commercial and industrial taxpayers.

RECOMMENDATIONS

Funding

The Road Committee recommends that the City Council adopt the following funding plan for Local Road Improvements.

1. Utilize existing funds to address some of the problems before collecting a new millage, provided that the local road fund is not depleted before a future funding source is assured.
2. Identify new funding sources, even if they're one-time sources.
3. Reduce/eliminate other programs and use the funds for local roads.
4. Establish a cap of \$4,000 per buildable lot on special assessments for gravel-to-pavement projects, provided that a future funding source for the city to supplement the capped assessments is assured.
5. Levy up to 2 mills per year dedicated to local road improvements and maintenance, said millage to be levied from December 1999 through December 2013.

In order to identify a future funding source that will allow for implementation of funding plan recommendations #1 and #4 above, the Committee recommends that the Council place a local road millage question on the 4 August 1998 Primary Election ballot. It is recommended that the voters be asked to approve up to 2 mills, dedicated to local road maintenance and improvements, to be spread for 15 years.

The Road Committee recommends that the term of the proposed millage be from December 1999 (for Budget Year 2000) until December 2013 (for Budget Year 2014). If the proposed millage is approved by the voters in August, the city will know prior to adoption of the 1999 budget.

The Road Committee recommends that, contingent upon approval by the voters of the proposed millage, the Council approve the following additional funding sources for the 1999 Budget Year, totaling \$6,465,000:

Available Local Road Fund Balance (\$3,922,500). This available fund balance represents the accumulated city share for local road projects that did not occur.

Bond Forfeiture (\$776,500). This source represents performance bonds for incompleting construction projects. These identified funds have been on deposit with the city since prior to 1992; many date back to the 1970s. By Executive Order of the

Mayor, the bonds have been declared forfeit to the city and are available to be used for local road improvements.

General Fund Designated Fund Balance for Roads (\$466,000).

General Fund Contribution. (\$1,300,000).

For future budget years (2000 - 2014), the Road Committee recommends that the Council approve a target of up to \$2,000,000 in combined General Fund Contributions and other funding sources to be identified to supplement the local road millage revenue (up to 2 mills) in order to meet local road program implementation targets for each year.

Implementation Plan

The Road Committee recommends that the City Council approve the Implementation Plan (to be provided to Council Members at the May 13, 1998 Council workshop), contingent upon voter approval of the proposed ballot question.

The Implementation Plan incorporate projects of each of the three types (gravel-to-pavement road improvements; pavement rehabilitation; and maintenance) to be completed each year beginning in 1999. The first four years of projects have been identified.

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CITY OF ROCHESTER HILLS
CITY COUNCIL RESOLUTION
TO ADOPT
LOCAL ROAD FUNDING PLAN

At a Special Meeting of the Rochester Hills City Council held on Wednesday, May 13, 1998, at the Rochester Hills Public Library, 500 Olde Towne Road, Rochester, Michigan:

Present:

Absent:

MOTION by _____, supported by _____,

Resolved, that the Rochester Hills City Council does hereby adopt the following Local Road Funding Plan:

1. Utilize existing funds to make local road improvements before collecting a new local road millage, provided that the local road fund is not depleted before a future funding source is assured.
2. Identify new funding sources, even if they are one-time sources.
3. Reduce/eliminate other programs and use the funds for local roads.
4. Establish a cap of \$4,000 per buildable lot on special assessments for gravel-to-pavement projects, provided that a future funding source for the city to supplement the capped assessments is assured.
5. Levy up to two mills per year dedicated to local road improvements and maintenance, said millage to be levied from December 1999 through December 2013.

Further resolved, that the Rochester Hills City Council hereby requests the Mayor to include the following funding sources as revenue in the 1999 Budget, Local Road Fund, provided that a future funding source is assured prior to adoption of the 1999 Budget:

- a. Projected available Local Road Fund Balance in the amount of \$3,922,500.
- b. Bond Forfeiture in the amount of \$776,500.
- c. General Fund Designated Fund Balance for Roads in the amount of \$466,000.
- d. General Fund Contribution in the amount of \$1,300,000.

Further resolved, that the Rochester Hills City Council hereby directs the City Attorney to draft language for a proposed ballot question to be placed on the August 4, 1998 Primary Election Ballot; said language shall ask if the City of Rochester Hills should levy up to two mills for a period of 15 years (from December 1999 through December 2013) in order to assure a future funding source for the city to supplement capped special assessments for gravel-to-pavement projects and to make local road improvements, including road rehabilitation and maintenance, to paved local roads.

Ayes:

Nays:

D R A F T Implementation Plan For Local Road Improvement Program

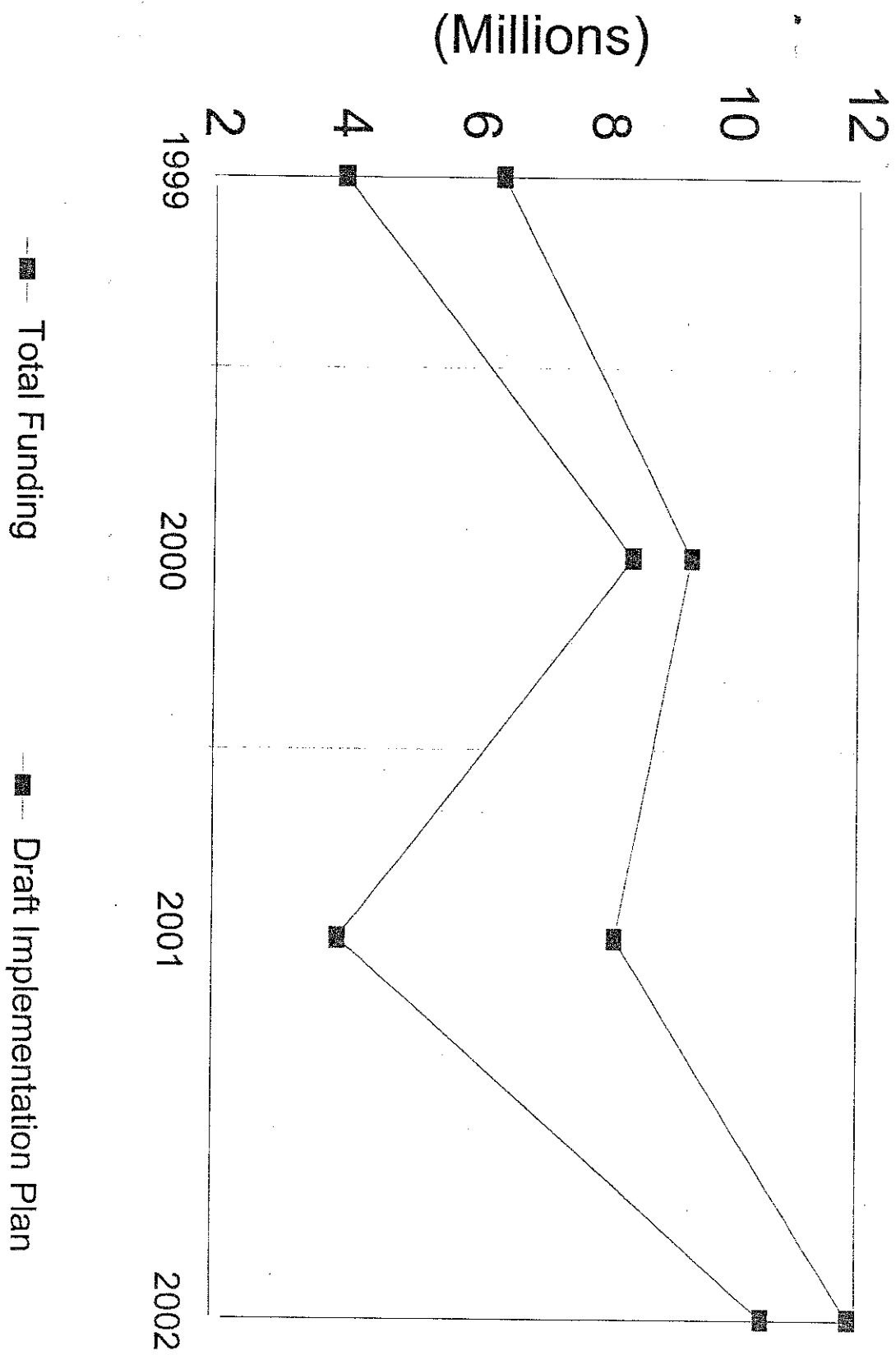
IMPROVEMENT STRATEGY	SUBDIVISION	LENGTH (MILES)	ESTIMATED PROJECT COST*	1999	2000	2001	2002	2003-2014
RECONSTRUCTION: (100% CITY COST)	ROCHESTER GLENS	1.78	\$2,339,000	██████████				
	AVON HILLS VILLAGE	1.04	\$1,376,000	██████████				
	TIENKEN MANOR	3.69	\$4,093,000		██████████			
	CHRISTIAN HILLS NO 3	2.46	\$2,729,000		██████████			
	FOXBORO	0.53	\$699,000				██████████	▶▶▶▶
	STRATFORD KNOLLS (1-8) AND SPRINGHILL (3-4)	5.26	\$6,928,000				██████████	▶▶▶▶
	AVON MANOR	1.10	\$1,450,000				██████████	▶▶▶▶
	BROOKDALE WOODS	2.82	\$3,713,000				██████████	▶▶▶▶
	INDEPENDENCE COURT	0.23	\$346,000	██████████			██████████	▶▶▶▶
	OTHER SEGMENTS	47.60	\$67,252,000					▶▶▶▶
SUBTOTAL:		66.51	\$90,925,000					▶▶▶▶
LOCAL ROAD PAVING: CITY COST ONLY :	DODGE-AUBURN (SAD)	4.6	\$1,500,000		██████████			
	MARTIN FARMS (SAD)	1.46	\$750,000	██████████				
	BASSETT SMITH (SAD)	1.08	\$350,000	██████████				
	PAVE REMAINING ROADS	18	\$11,700,000				██████████	▶▶▶▶
SUBTOTAL:		25.14	\$14,300,000					
MAINTENANCE OVERLAYS: (100% CITY COST)	BROOKLANDS (NORTH)	8.0	\$400,000		██████████			
	BROOKLANDS (SOUTH)	6.0	\$300,000		██████████			
	JUDSON PARK	2.2	\$110,000	██████████				
	BOYKEN	0.2	\$12,000	██████████				
	COURTLAND	0.1	\$7,000	██████████				
	DENISON ACRES	0.9	\$47,000				██████████	
	ROCHESTER KNOLLS	1.3	\$66,000				██████████	
	BRABACH ORCHARDS	0.8	\$40,000				██████████	
	MEADOWBROOK	1.0	\$49,000				██████████	
	BATHURST	0.4	\$20,000		██████████			
	OTHER OVERLAY SEGMENTS	62.8	\$3,142,000				██████████	▶▶▶▶
SUBTOTAL:		83.8	\$4,193,000					
TOTAL MILES:		175.46						
TOTAL CITY FUNDS:			\$109,418,000					

Note: These figures reflect a 15% increase over 1996 prices based on 1997 bid unit prices received by OHMc in the first quarter of 1997.
* Project Cost Estimates Based on 1999 Dollars

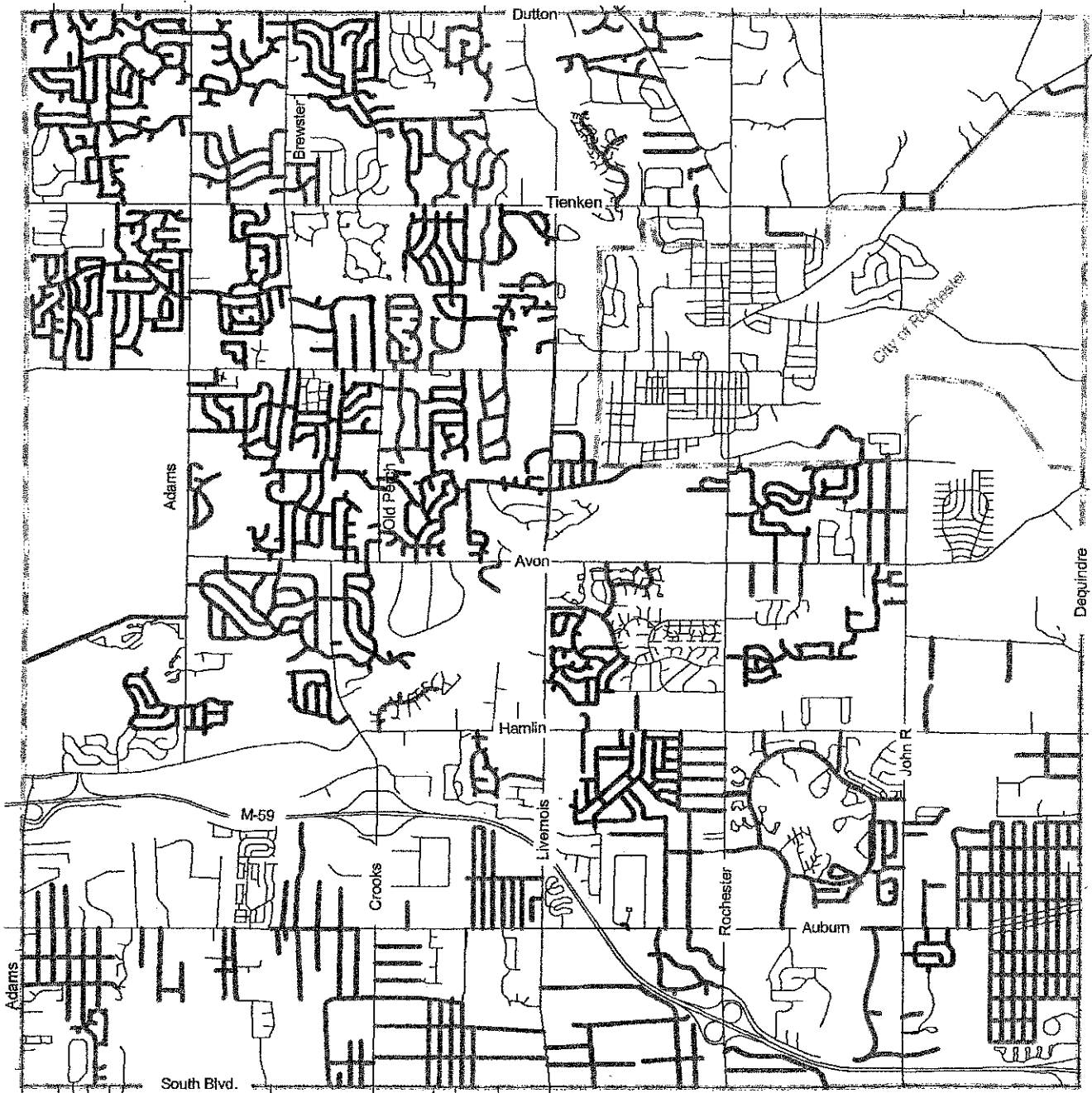
D R A F T REVENUE PROJECTION 1999-2002

Revenue Source	1999	2000	2001	2002
Millage Revenue -- 2 mills	n/a	\$4,986,919	\$5,311,068	\$5,629,733
Available Local Roads Fund Balance	\$3,922,500	\$2,430,059	\$920,979	\$4,268,048
Other (General Fund Contribution & Other Sources)	\$1,300,000	\$2,000,000	\$2,000,000	\$2,000,000
Bond Forfeiture From General Fund	\$776,559			
General Fund Designated Fund Balance for Roads	\$466,000			
TOTAL FUNDING	\$6,465,059	\$9,416,979	\$8,232,048	\$11,897,781
Less Spending for DRAFT Implementation Plan	(\$4,035,000)	(\$8,496,000)	(\$3,964,000)	(\$10,552,000)
Balance Carried Forward to Continue Projects	\$2,430,059	\$920,979	\$4,268,048	\$1,345,781




Projection For 1999-2004 Local Road Improvement Plan



Draft
Local Road Improvement Plan Thru 2014



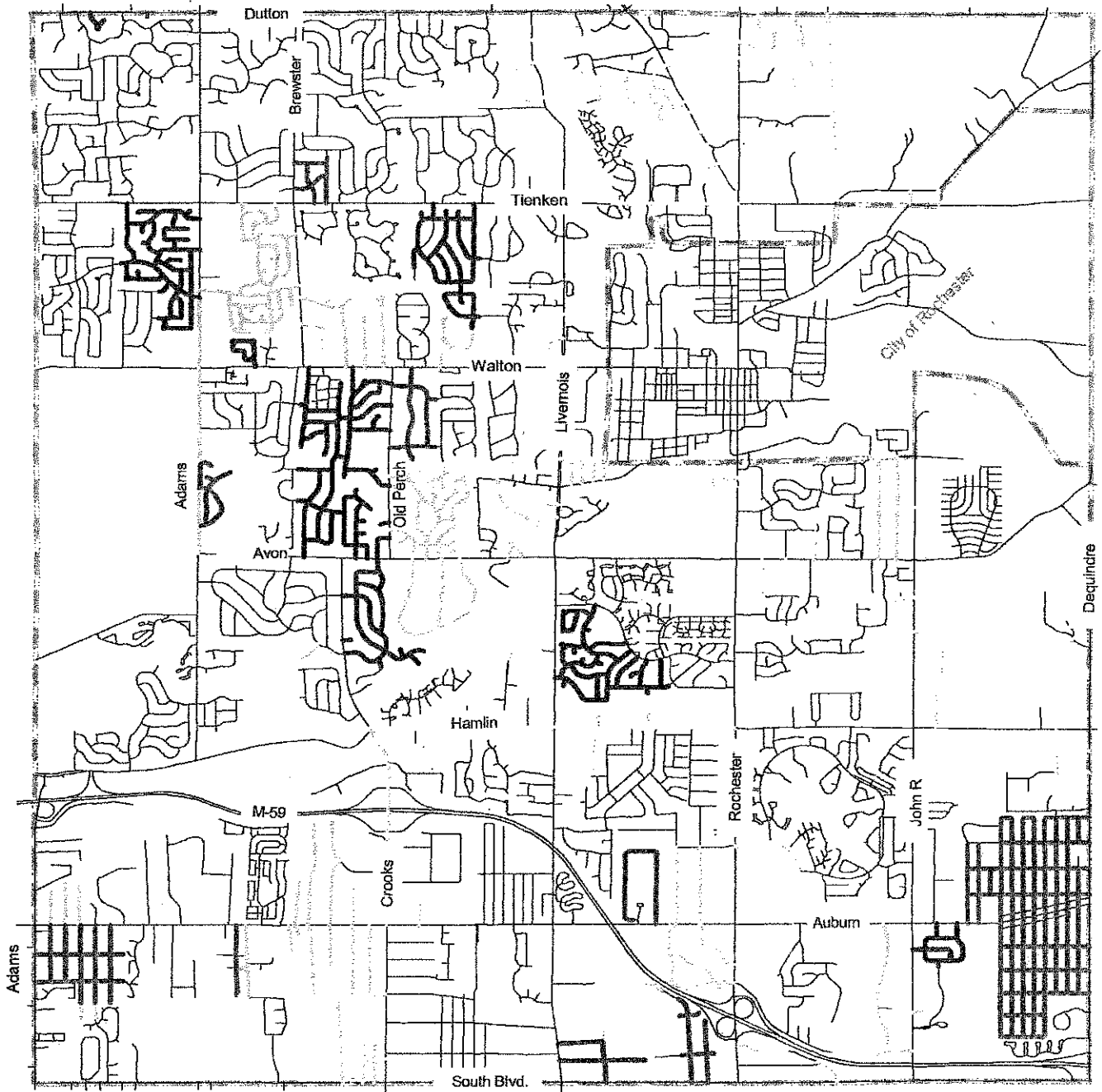
LEGEND

	Rehabilitation / Reconstruction	66 Miles	\$91 Million
	Gravel Road Paving	25 Miles	\$14.3 Million
	Maintenance Overlays	84 Miles	\$4.2 Million







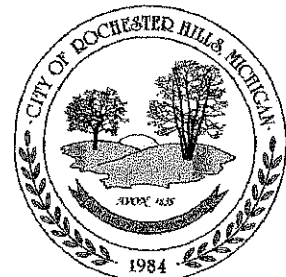
City of
ROCHESTER HILLS

Draft
Implementation Plan
1999 - 2002



LEGEND

-  Rehabilitation
-  Paving
-  Overlay
-  Balance of CIP Projects



City of
ROCHESTER HILLS