
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: BRENT M. EICHELBERGER, VILLAGE ADMINISTRATOR
SUBJECT: STREET MAINTENANCE PROGRAM FUNDING
AGENDA: JUNE 6, 2017 BOARD MEETING
DATE: MAY 31, 2017

ISSUE

Should the Village consider new revenue streams to enhance the annual street maintenance program.

DISCUSSION

In 2011 the Village had approximately 60 centerline miles of roadway with an annual recommended maintenance budget of \$1,450,000. The Village has approximately 70 centerline miles today. While the Village Engineer has not been asked to do an updated funding recommendation, a 3% inflation factor and the additional street miles would push the annual recommendation to around \$2,000,000.

In 2017 the Village expects to spend approximately \$240,000 on street maintenance. Examples of needed projects that were not able to be funded include Strafford Woods Resurfacing (\$337K), Walnut Woods Microsurfacing (\$281K), and Windsor West Microsurfacing (\$283K). There are many other recommended projects that are unfunded.

Alternative funding for the street maintenance program was last formally presented in 2014. The following information was included in the Board Report at that time.

The vast majority of municipalities are unable to perform street maintenance at the level desired by community members due to insufficient funding. Many communities spend 25% or less than indicated by engineering studies. By using effective financial and management strategies, Sugar Grove has been able to better fund its program, averaging over 50% funding. The funding is a combination of the annual MFT allotment received from the State, General Fund surplus transfers and grants. Based on the most recent program analysis, the Village spends around \$1,000,000 less than recommended on an annual basis.

While Sugar Grove has done an excellent job of funding street maintenance given the available resources, there continues to be a demand and desire to do more. It is highly unlikely that the MFT allotment will see any significant increase (except with an increased population which brings more streets), and it is also highly unlikely that the Village will see a greater proportion funded by grants as we already are very successful in this area. A reallocation of existing Village revenues or the generation of new revenues are the remaining possibilities.

The economy of the last several years has already forced the Village to streamline all operations. While the Board could make cuts in other areas to reallocate funds to the street maintenance program, it would cause hardships in other Village services and is not recommended. This leaves the generation of new revenues as the only viable option to expanding the program.

There are two realistic possibilities for a new revenue stream. One, a referendum to increase property taxes, and two, the implementation of a vehicle registration fee.

A referendum would place the decision in the voter's hands and if successful would provide a reliable revenue stream. The likelihood of referendum passing seems very low. With a failed referendum it is expected that the community would still want streets to be better maintained.

A vehicle registration fee would be at the sole discretion of the Village Board and would also create a reliable revenue stream. A nearby community has successfully implemented a program where the fee is collected through the utility billing system without the expense of stickers and the unpopular enforcement actions that typically take place.

The amount of revenue that could be raised would depend on the rate in the referendum option and the fee in the registration option. The Village has approximately 3,200 households and 100 businesses. A \$100 annual amount would result in \$330,000 in revenue. A \$300 annual amount would result in \$990,000, which would be in the ballpark of the need based on the last program study. An updated study could result in a greater need.

The basic information from the 2014 discussion remains true today. The Village continues to do a good job of street maintenance given the available resources, but continues to fall behind.

The Village relies on the annual MFT allotment as the primary source of street maintenance funding. Currently this is approximately \$240,000. The Village applies for grants when available. These are becoming less prevalent and cannot be counted on. When a General Fund surplus is achieved in a given fiscal year, the Village often uses these funds for street maintenance as well. The transfers cannot be expected to take place every year. The likelihood of a successful street maintenance referendum remains low.

The Village has collected an average of \$527,000 a year over the last five years in Non Home Rule Sales Tax. These funds are being used to pay off the bonds that funded the Municipal Drive and Galena Boulevard extensions. Once these bonds are paid off in 2026, the funds can be used for other street projects.

In order to increase funding for street maintenance, staff recommends the Board consider an Infrastructure Maintenance Fee under the vehicle registration authority. A nearby community successfully implemented this approach several years ago at an \$8.00 per month rate. With about 3,375 current residential and commercial users, Sugar Grove would generate \$324,000 in new street maintenance funds.

The new refuse contract has allowed for a recommended \$5.59 per month reduction in refuse fees. If a \$5.59 per month Infrastructure Fee was implemented, users would see no change in their monthly bills and \$226,395 would be collected annually to be spent on street maintenance.

This new revenue source, while still leaving the Village significantly short of the recommended annual maintenance budget, would nearly double the base annual budget and allow for significantly more street repairs on an annual basis.

Attachments:

- 2011 Street Maintenance Budget Recommendation
- Sample Street Maintenance Project Costs
- Standard Pavement PCI Reduction Curve

COST

Should this item be implemented there would be estimated attorney review fees of less than \$1,000. The program would generate approximately \$226,395 in annual revenues specifically for the purpose of street repairs.

RECOMMENDATION

That the Board direct staff to prepare an Ordinance establishing an Infrastructure Maintenance Fee in the amount of \$5.59 per month for consideration at the June 20, 2017 Meeting.



Budget Review & Previous Recommendations

- MicroPAVER Program - 2006
 - Recommended Budget of \$750,000 Annually
- MicroPAVER Program – 2011
 - Annual Expenditure in 2011 Report = \$622,900
 - Recommended Budget of \$1,450,000 Annually
- Road Program Budget
 - MFT Allotment \$239,000± (2017 Budget)
 - Local Funds Varies (2017 = \$0)



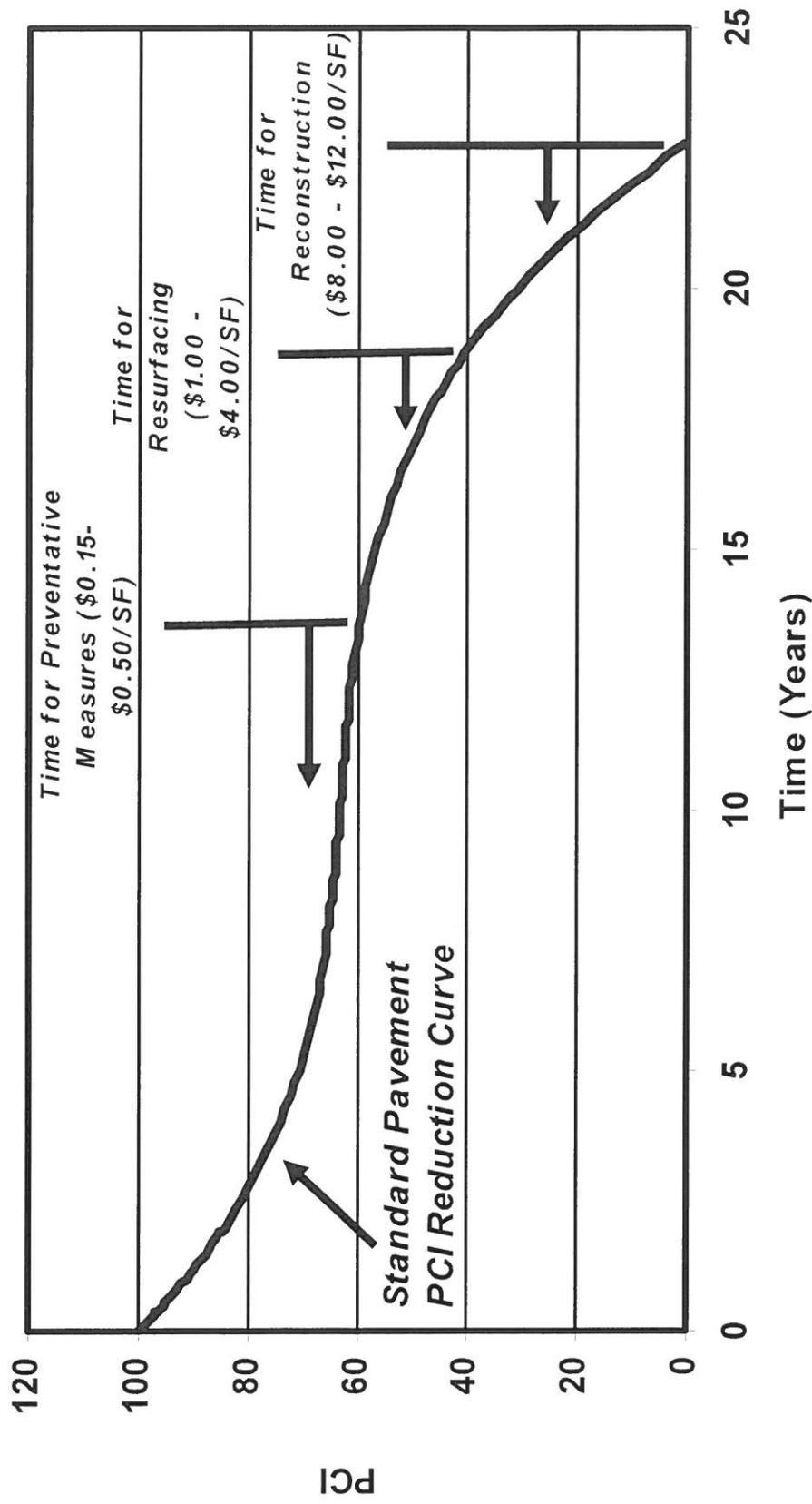
Cost Estimates

- Example Cost Estimates – Streets Reviewed 2016
 - Strafford Woods – Resurface (\$337,000)
 - Walnut Woods – Microsurface (\$281,000)
 - Windsor West – Microsurface (\$283,000)



Budget Review & Previous Recommendations

Recap of 2011 Study



Preventative Measures = Prolonged Life