

Transportation Fund



MEMO:

August 26, 2021

To: Village Board
Finance Committee
From: Monica Hughes, Finance Director
David De Angelis, Village Manager
RE: Transportation Fund Budget

As the Village considers its future road paving needs and funding mechanisms, staff has recommended setting up a separate Transportation Fund. This would allow the Village to designate funding specifically for road improvements. This could include road paving but also pathways and bridges. Setting up a separate fund allows the Village to carryover funds from one year to the next, allowing a more level funding while adjusting expenditures to what is needed and feasible each year. As requested in recent years the board and committees would like a more long range plan (10 years) compared to the 5 normally budgeted in our capital fund. Attached is a draft budget of the transportation fund for 2022-2032.

A number of assumptions have been included in this budget as identified below.

- Planned roads are those identified by Public Works Committee during the 2020 review process
- Roads were costed at 2019 paving prices and increased 2.5% annually
- Roads were identified using the 2019 "Paser" rating
- A new funding source is needed and should be determined by the Board – possibly a new transportation utility fee or reallocating tax levy dollars now funding the sewer utility
- The annual funding should be approximately \$550,000, there is no increase included currently
- In 2022 the funds previously included in the capital projects for pathways would be transferred to this fund to support the Gebhardt road pathway
- No other pathways are currently included in this plan
- The Board has requested that additional roads be included
- As more roads are planned for repaving, outside contracting will be needed to assist with the storm water work done in conjunction with each road
- The current storm water utility will make the final debt payment on the flood management project in 2025. This would then allow a portion of the utility fee to be directed to the transportation fund in 2026 to support contracted services.

While these are the assumptions, a separate fund will allow the Village to constantly evaluate its needs and adjust accordingly. Roads are evaluated using the State's "Paser" system in the fall of each odd numbered year. This means a re-evaluation later this fall which may identify different roads for scheduling. The paving price changes annually as a result of economic conditions. While some may question the costs used it will be hard to predict the market conditions and contractor availability next year and the future. The public works department currently consists of 6 full time employees plus the director. It will be unrealistic to plan for the department to be able to complete the storm water work on an increased paving plan.

The current budget demonstrates that with annual funding of \$550,000 plus \$50,000 from the storm water utility fee beginning in 2026 the Village can fund the identified roads plus have an additional \$2.5 million available for added roads and/or pathways.

The next step needed prior to approving the 2022 budget will be for the Board to decide if the Village should set up this transportation fund and how they would like to fund transportation. It should be noted that staff suggested re-allocating \$550,000 of the \$1,100,000 of sewer tax levy to this transportation fund. In future years if additional funding is needed more could be re-allocated. This funding level and the transfer of pathway funding from the capital fund in 2022 will allow the Village to support the planned repaving of Gebhardt/Highland and the Gebhardt pathway. During the next year, the public works committee and Board would have time to identify any changes and/or additions to the schedule.

**Village of Elm Grove
Transportation Fund Budget**

	<u>From</u>	<u>To</u>	<u>Road Width</u>	<u>Road Length</u>	<u>estimated cost per ft</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Beginning Fund Balance						\$ -	297	167,344	328,587	568,967	965,096	1,319,107	1,634,936	1,612,287	1,499,765	2,049,765
Revenue																
Tax Levy or Transportation Utility Fee						550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000	550,000
Transfer fr capital budget						233,400										
Stormwater Utility Fee										50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Annual Revenue						783,400	550,000	550,000	550,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Expenditures																
Planned Road Repaving																
Gebhardt Rd	Pilgrim Pkwy	Highland Dr	25	2500		271,592										
Highland Dr	Gebhardt Rd	Westover	24	824		73,706										
Gebhardt Pathway	Pilgrim Pkwy	Highland Dr	6	2500	178.70	437,805										
Watertown Plank Rd	Highland Dr	Verdant	30	1825			382,953									
Elmhurst Pkwy WB	124th St	Blue Ridge Bl	20	1800				169,610								
Elmhurst Pkwy EB	Notre Dame	124th St	20	2325				219,147								
Highland Dr	North Ave	Club Dr/Track	24	2536					309,620							
Meadow Lane	Bluemound Rd	WTPLK Rd	22	1535						153,872						
Wedgewood E	Wedgewood D	Gebhardt Rd	22	1109							114,230					
Wedgewood W	Wedgewood D	Gebhardt Rd	22	792							81,758					
Verdant Dr	WTPLK Rd	Luther Lane	22	1584								167,010				
Luther Lane	Terrace Dr	Verdant Dr	22	634								67,161				
Lilly Rd	Village Limits	Marcella Ave	22	1528									138,289			
Garfield Ave	Lilly Rd	San Fernando	20	616									50,564			
Lloyd St	Lilly Rd	San Fernando	22	616									51,782			
Wrayburn Rd	Lilly Rd	San Fernando	22	616									51,782			
Grant Place	Lilly Rd	San Fernando	22	616									51,782			
Marcella Ave	Lilly Rd	San Fernando	24	616									60,920			
San Fernando Dr	Village Limits	Marcella Ave	22	1854									167,530			
Westover Rd	Highland Dr	Sunset Dr	20	1214										102,407		
Greenway Terrace	Hillside	Juneau	20	2851										239,782		
Sunset Dr	Woodlawn	Westover	22	528										49,330		
Lakeside Dr	Overhill	Juneau	20	1056										99,909		
Woodlawn Cir	Hillside	Juneau	22	1848										171,094		
Stormwater- ditching /culverts										50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Annual Expenditures						783,103	382,953	388,758	309,620	203,872	245,988	284,171	622,649	712,522	50,000	50,000
Fund Balance at Year End						297	167,344	328,587	568,967	965,096	1,319,107	1,634,936	1,612,287	1,499,765	2,049,765	2,599,765

MEMO:

September 20, 2021

To: Village Board
Finance Committee
From: Monica Hughes, Finance Director
RE: Development of Transportation Utility versus Current Sewer Utility

During recent years it has become apparent that the Village roads will need substantial funds in upcoming years to provide a quality road infrastructure system. The standard of the roads has declined over the last 20 years for a number of reasons; rising costs, a poor asphalt mix recommended by the State DOT and used in early 2000s, levy limits, resurfacing of roads for many years that have reached a point where the base needs to be redone, and a paving budget that has been stagnant while these other factors have been growing has led the Village to a point that a major commitment to reinvestment in the roads is needed. This is not unlike most Wisconsin municipalities. In light of this rising need the Village has been exploring the development of a transportation utility. This is a relatively new type of funding that creates a user fee that matches road usage (#of trips) to a share of the planned road expenditure.

As the Village considers this funding mechanism, along with the other two options suggested by Ehlers for road funding; an increased tax levy through referendum or periodic debt issuance, I believe the Village should also consider the tax levy dollars being used to support the current sewer utility. A utility of any type is usually expected to operate with revenue generated from the users to cover operational and capital expenditures.

The Village uses the Milwaukee Metropolitan Sewage District to treat and dispose of wastewater. We are considered a 'non-member' community and thus are billed a capital charge based on our equalized value. This is an expense and annual operational cost to our sewer utility. The Village, unlike all other non-member communities, supports the majority of this charge with taxes dollars. For 2021 the tax dollars devoted to this charge were \$1,100,000 of the \$1,425,000 charge. The remainder was charged as part of the user fee. Other non-member communities include their entire MMSD capital charge on the user fee, as is standard for utilities such as water, electric and cable. A member community (within Milwaukee County) is not charged at all for MMSD services, for these communities, MMSD bills the property owner directly on their tax bill thus not effecting the municipal budget and levy.

The Village has the ability to redirect all or a portion of this levy to our roads and shift the MMSD capital charge to the current sewer utility. This would accomplish providing the funds needed without a new user fee or the need to increase the levy. While property owners would see their sewer bills increase; the sewer charge would not be unlike those of other communities.

The 2021 user fee for residents was \$367.72 plus an additional \$465 of tax levy dollars on the average valued home of \$514,500 for a total of \$832.52. If the Village had chosen to shift the entire \$1,100,000 to the user fee it would have increased the fee to \$717.96, an additional \$350.24. Redirecting \$550,000 (1/2) of these levy dollars to roads and adding that cost to the user fee would have increased the fee from \$377.78 to \$542.84 an additional \$165.06.

Sewer	<u>Current</u>	<u>\$1,100,000 to Road Paving</u>	<u>\$550,000 to road paving</u>
2021 residential user fee	367.72	717.96	542.84
2021 average home tax levy devoted to MMSD Capital fee	464.80	-	232.40
sewer costs	832.52	717.96	775.24
<u>Transportation</u>			
Proposed Transportation Utility fee	120.00	-	-
Tax Levy devoted to Transportation	-	464.80	232.40
transportation costs	120.00	464.80	232.40
Total	952.52	1,182.76	1,007.64

I believe the Village should consider reducing the levy dollars allocated to the sewer utility and redirect those funds to a new transportation fund without creating a transportation utility fee. The transportation fund would collect these levy dollars and segregate the funds from other operations. Funds could be maintained from year to year to be used exclusively for transportation. This would allow us to continue our operations without adding a new fee, and the increase to the sewer would be in accordance with normal utility operations and all users, including commercial and non-profit would contribute.

The village also receives aid from the state through its transportation aid program. The program reimburses for a percentage of costs incurred but any fees or grants must be deducted. An additional benefit to using the tax levy dollars formerly used by the sewer utility would be that there would be no deduction to the transportation aid program keeping our current aid levels.