

# City of New Buffalo's Road System, Conditions and Funding

Town Hall Meeting

August 7, 2024



# Town Hall Schedule

---

- August 7, 2024
- September 10, 2024
- October 15, 2024



# A Look At How We Got Here

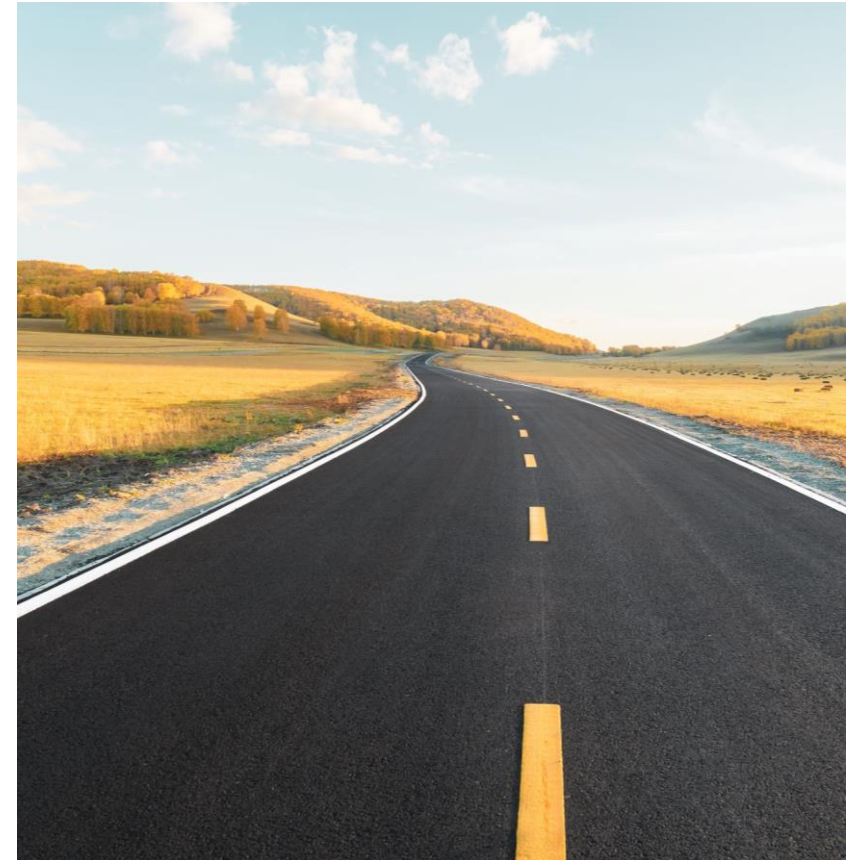
---

To understand where New Buffalo is today (in terms of road funding), one only needs to look at the State of Michigan. This will provide some perspective where we have come from and how we got where we are today.

For the last 50-plus years, Michigan has done a modest job of funding several important areas such as health, education and welfare. However, roads have been a completely different story.

Since at least 1964, roads have been Michigan's "forgotten priority" — Michigan has continuously ranked in the bottom nine states in per capita state and local expenditures on roads. Until the 2017 gas tax increase, in which the state raised Michigan's gas tax by 7.3 cents per gallon (to 26.3 cents per gallon), Michigan still ranked in the bottom four states.

Given this track record, it should be no surprise that Michigan's roads are in worse shape than those in many other states.



# Why Are Michigan's Roads in Bad Shape?

## Per Capita State and Local Expenditures

(Michigan's Rank in the Nation)

Expenditures	1964*	1974*	1984*	1992*	2010*	2017**	2019**
Health	5	8	9	12	13	14	15
Education	11	7	10	11	9	33	26
Welfare	31	5	3	7	32	34	29
<b>Roads</b>	<b>43</b>	<b>44</b>	<b>42</b>	<b>49</b>	<b>50</b>	<b>44</b>	<b>39</b>

Sources:

\*U.S. Census Bureau

\*\*Urban Institute/Brookings Institute Tax Policy Center

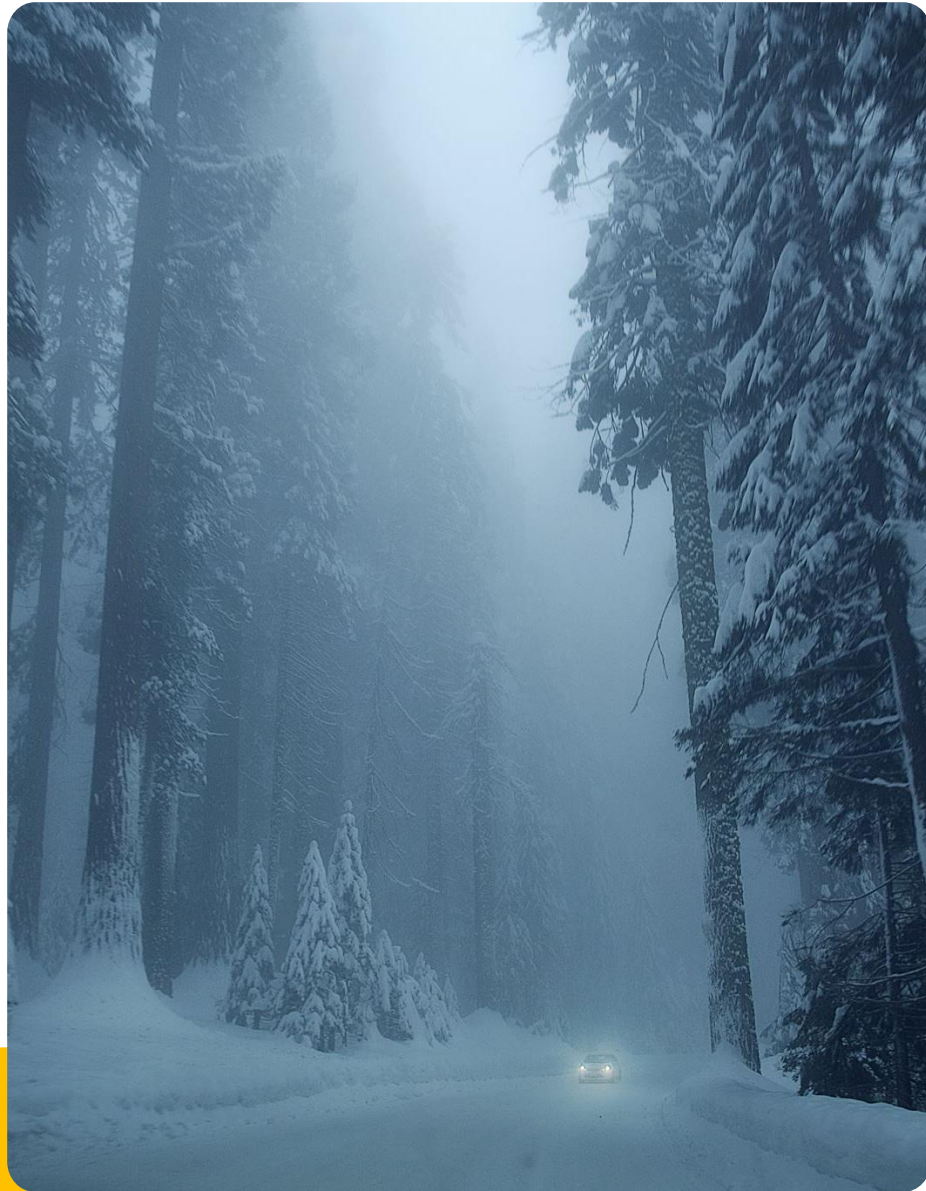
# Factors That Impact the Current Conditions

---

As discussed, Michigan's roads, in general, are considered to be among the worst in the country. This is attributed to several factors that include:

- **Freeze-thaw cycles:** During winter, water freezes at night, expands under the pavement, and lifts it. When temperatures rise above freezing, the pavement breaks as traffic drives over it. Additionally, many of the road agencies in states that rank higher than Michigan in per capita road spending, don't spend millions of dollars on snowplowing and salting.
- **Lack of funding:** Michigan's roads are primarily funded by drivers through gas taxes and vehicle registration fees, but these taxes are decreasing. In addition, Michigan's sales tax on gas does not go to roads.
- **Disinvestment:** Decades of disinvestment have made it harder to improve roads.





## Factors That Impact the Current Conditions

- **Expensive reconstruction projects:** More expensive fixes mean less pavement can be improved.
- **Bridges:** A report projects that only 21% of Michigan's bridges will be in good condition by 2034, and that additional investment is needed to prevent more emergency repairs and closures.
- **Lack of Planning:** Many public agencies are faced with severe shortfalls in road funding. As a result, most communities have neglected to identify roads as infrastructure or assets, thus, no inclusion of roads in most Capital Improvement Plans or any plan. Lack of planning has led to a “this is the best we can do” mentality. Consequently, the community is unable to maintain the current condition of the system, no less improve it.

# What Are The Experts Are Saying

A Crain's Detroit Business article stated the Michigan Transportation Asset Management Council's analysis of pavement conditions shows about 25 percent of all roads in Michigan are in good condition and will continue to be through 2024.

But after 2024, the percentage of pavement in good condition is projected to fall to 20 percent by 2032, according to state data.

The most recent data on projected pavement conditions available does not factor in an **additional \$378 million** Michigan will receive annually for the next five years from the federal government as part of President Biden's \$1 trillion infrastructure bill.

That outlay amounts to about one-sixth of the \$2 billion needed annually to cut the number of poor condition roads in half.

# What The Experts Are Saying

Jamie Jacob, CEO and owner of Troy-based Ajax Paving Industries Inc., one of the Michigan's largest road construction companies said:

*"If there's been a casualty to all of this funding ... the local roads, the county roads, the city roads, those have been neglected for so long, I don't know how they're ever going to catch up."*





# A Look at the Road System In New Buffalo

As part of a planned infrastructure improvement In 2017, the city evaluated the roads in the community. In 2021 and 2024, the city reevaluated the roads in the community and updated the ratings. To accomplish this, a Pavement Surface Evaluation Rating (PASER) study was conducted on every street in the city. PASER is a “windshield” road rating system that uses a 1 to 10 rating scale, with a value of 10 representing a new road and a value of 1 representing a failed road. Condition ratings are assigned by monitoring the type and amount of visual defects along a road segment while driving the segment.

# Rating and Estimated Cost Associated

10, 9, 8	7, 6, 5	4, 3, 2, 1
New – Very Good Routine Maintenance	Good – Fair Capital Preventative Maintenance	Poor – Failed Heavy Rehabilitation or Reconstruction
Day-to-day scheduled maintenance activities	Capital preventive maintenance fixes are to protect the pavement structures, slow the rate of pavement deterioration and/or correct pavement surface deficiencies.	Work identified as rehabilitation and reconstruction which address the structural integrity of a road.
Estimated Costs \$0 - \$3,000 per mile	Estimated Costs \$5,000 - \$100,000 per mile	Estimated Costs \$130,000 - \$500,000 per mile
Street sweeping, drainage clearing, shoulder gravel grading, and sealing cracks to prevent standing water and water penetration	Capital preventive maintenance fixes are to protect the pavement structures, slow the rate of pavement deterioration and/or correct pavement surface deficiencies.	Work identified as rehabilitation and reconstruction which address the structural integrity of a road.



A Look at the City of New  
Buffalo's Roads in 2020

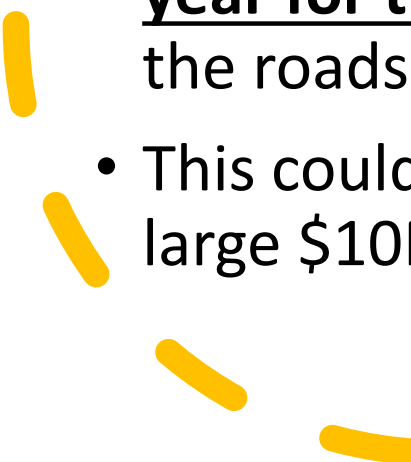
---

# City of New Buffalo 2020 PASER Ratings



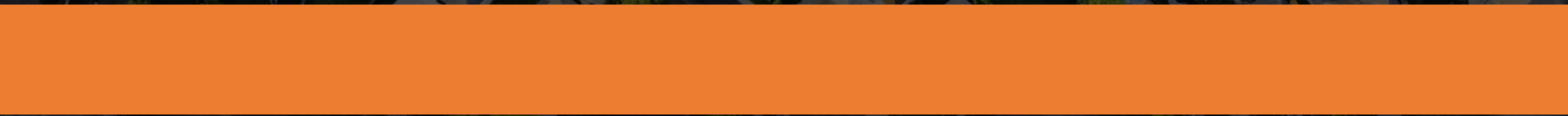


# Key Takeaways from 2020 PASER Ratings

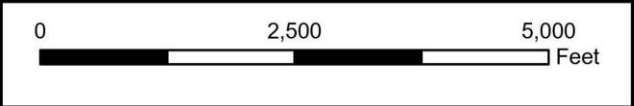
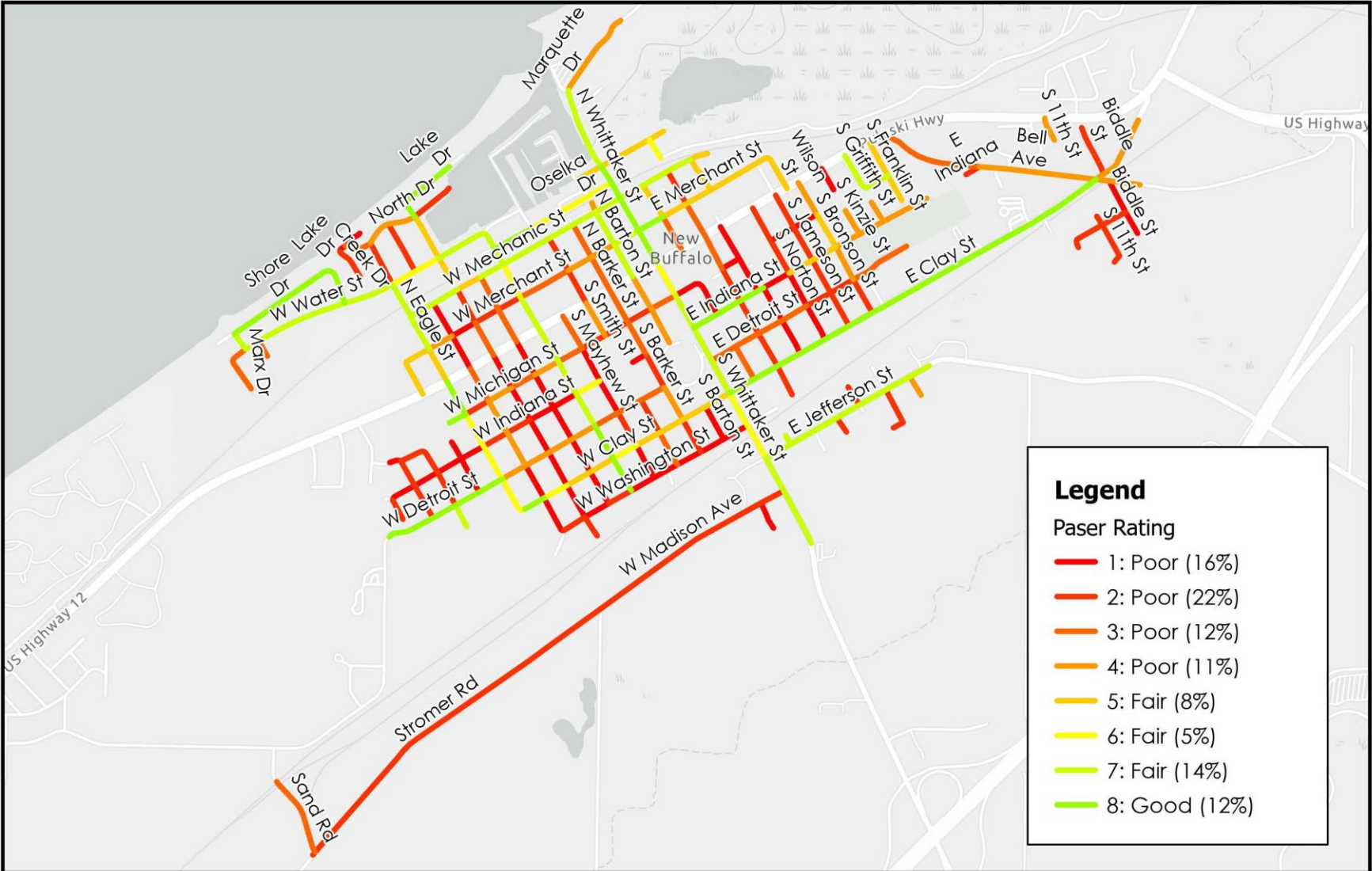
- Due to decades of disinvestment in the community's infrastructure, many roads have surpassed their useful life, are literally falling apart and in need of complete reconstruction. Additionally, the roads which were recently completed need continued investment for regular maintenance in order to maximize the value of the community investment.
  - Based on the Roadsoft Analysis, the community needs to spend **\$1M per year for the next 10 years** on construction and maintenance to get 85% of the roads in the community to a rating of "good".
  - This could be achieved by doing \$1M in work per year or undertaking one large \$10M project over a 12 to 24 month period.
- 



# City of New Buffalo's Road System in 2024



# City of New Buffalo 2024 Paser Ratings



# Findings from the PASER Ratings

---

1

61% of the roads in the City of New Buffalo are in poor condition requiring heavy rehabilitation or reconstruction

2

27% of the roads in the City of New Buffalo are in fair condition requiring capital preventative maintenance

3

12% of the roads in the City of New Buffalo are in good condition requiring little to no maintenance





# Road Funding

What is it and where does it come from?

# Where Does Road Funding Come From



THE FEDERAL GOVERNMENT  
(MAJOR STREETS),



THE STATE OF MICHIGAN (MAJOR  
AND LOCAL STREETS), AND



THE CITY OF NEW BUFFALO'S ROAD  
MILLAGE OF 2020 (MAJOR AND  
LOCAL STREETS)

# Federal Funding

---

Federal-aid funds are generally distributed to States using formulas specified in Federal law, although the money is not provided up front. The Federal law provides a promise of future reimbursement. The funds distribution enables a State department of transportation, or State DOT, to enter into agreements with the Federal Highway Administration, or FHWA, that will ultimately be reimbursed from Highway Trust Fund receipts. The funds distribution is provided to each State within funding categories or programs that focus on key areas, such as the Surface Transportation Program and the Highway Safety Improvement Program.

State DOTs are the designated recipients or “grantees” for the funds, and Local Public Agencies (LPAs) are subrecipients or “sub-grantees,” meaning LPAs receive funds via the State DOT. State DOTs oversee decisions regarding the selection of projects for funding and are responsible for ensuring Federal requirements are met, including those for funds eligibility.

# State Funding (Act 51)

---

Michigan's Public Act 51 (PA 51) of 1951, also known as the Michigan Transportation Fund (MTF) Act, is a state law that collects and distributes transportation revenue to fund roads and other transportation projects:

## **Revenue sources**

The MTF receives funds from vehicle registration fees, fuel taxes, and federal funds.

## **Distribution**

About 20% of MTF funds go to state agencies, and the remaining 80% is divided among highways, county roads, and municipal streets. The funds are divided between the three levels of government in Michigan that have jurisdiction over roads: the Michigan Department of Transportation (MDOT) for state highways, county road agencies for county roads, and cities and villages for streets.

## **Funding formula**

The MTF funds are distributed based on the length of a road, not its width. This means that roads in developed areas receive the same funding per mile as roads in rural areas, which some say disadvantages more populated areas.

# State Funding (Act 51)

---

The two largest sources are the state-collected gas tax and the Vehicle-registration fee (license plate fee).

In addition to the gas tax and vehicle-registration fee, there are several other state collected revenues that contribute to road funding in Michigan. It is interesting to note that Michigan is also one of only seven states in the nation that applies its full sales tax (6%) to gas and diesel sales. However, none of the revenue from that sales tax goes to roads.

The City of New Buffalo has received the following funding from the State:

- Fiscal Year 2019 – \$309,043.36
- Fiscal Year 2020 – \$323,110.09
- Fiscal Year 2021 – \$350,379.38
- Fiscal Year 2022 – \$351,307.95
- Fiscal Year 2023 – \$365,843.17

# Local Funding (2020 Road Millage)

---

In 2020, the residents of the City of New Buffalo passed a millage dedicated to the purpose of constructing, improving, repairing, and maintaining public roads. The millage levy on the taxable value was established at 0.25 mills for the period of 20 years.

Since its passing, the road millage has produced the following revenue:

- Fiscal Year 2022 – \$62,675.21
- Fiscal Year 2023 – \$65,163.80
- Fiscal Year 2024 – \$70,783.40

The proposed millage being placed on the ballot for November 2024 will not replace the current levy and is to supplement the current millage. The proposed millage rate is an additional 2.25 mills.

---

How Much Is It Going To  
Impact Me?

# Impact on Community Property Owners

City of New Buffalo 2024 Taxable Value = \$323,460,479

		Tax based on Taxable Value								
Tax Rate	Tax Raised	\$100,000 home	\$150,000 home	\$200,000 home	\$250,000 home	\$300,000 home	\$350,000 home	\$400,000 home	\$450,000 home	\$500,000 home
0.25	\$ 80,865	\$ 25	\$ 38	\$ 50	\$ 63	\$ 75	\$ 88	\$ 100	\$ 113	\$ 125
0.50	\$ 161,730	\$ 50	\$ 75	\$ 100	\$ 125	\$ 150	\$ 175	\$ 200	\$ 225	\$ 250
0.75	\$ 242,595	\$ 75	\$ 113	\$ 150	\$ 188	\$ 225	\$ 263	\$ 300	\$ 338	\$ 375
1.00	\$ 323,460	\$ 100	\$ 150	\$ 200	\$ 250	\$ 300	\$ 350	\$ 400	\$ 450	\$ 500
1.25	\$ 404,325	\$ 125	\$ 188	\$ 250	\$ 313	\$ 375	\$ 438	\$ 500	\$ 563	\$ 625
1.50	\$ 485,190	\$ 150	\$ 225	\$ 300	\$ 375	\$ 450	\$ 525	\$ 600	\$ 675	\$ 750
1.75	\$ 566,055	\$ 175	\$ 263	\$ 350	\$ 438	\$ 525	\$ 613	\$ 700	\$ 788	\$ 875
2.00	\$ 646,920	\$ 200	\$ 300	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000
2.25	\$ 727,785	\$ 225	\$ 338	\$ 450	\$ 563	\$ 675	\$ 788	\$ 900	\$ 1,013	\$ 1,125
2.50	\$ 808,650	\$ 250	\$ 375	\$ 500	\$ 625	\$ 750	\$ 875	\$ 1,000	\$ 1,125	\$ 1,250
2.75	\$ 889,515	\$ 275	\$ 413	\$ 550	\$ 688	\$ 825	\$ 963	\$ 1,100	\$ 1,238	\$ 1,375
3.00	\$ 970,380	\$ 300	\$ 450	\$ 600	\$ 750	\$ 900	\$ 1,050	\$ 1,200	\$ 1,350	\$ 1,500





Questions?

# What's Next?

The next Town Hall is scheduled for September 10, 2024, at 5:30 PM in the City Council Chambers

**Subject:** What's the plan?

Make sure you attend to see how the funding is planned to be spent and let your neighbors know.