

September 18, 2006

TO: Allegan County and Township Officials

FROM: Allegan County Road Commission

RE: Local Road Service Changes

The Allegan County Road Commission is having to adjust its budget and service levels, especially on its Local Road System, due to revenue reductions and cost increases. All forms of government are having this same issue, but it may be worse for Road Commissions.

Our source of revenue for our routine maintenance activities, including wages and equipment and materials, is the Michigan Transportation Fund. This is composed of the Michigan State Fuel tax and Vehicle Registration Fees. The State gas tax has not increased since 1997, when it was raised four cents to its current 19 cents per gallon. When this took place in 1997, the Road Commission changed some of its local road policies to reduce some of the costs being paid by the townships for local road construction, paving, and maintenance. At that time, townships were paying 100% of the cost for local road culvert replacement over 30 inches in diameter. There was also 50 cents per cubic yard spreading charge for gravel surfacing. With the gas tax increase we were able to eliminate the gravel spreading charge, and share the cost of local road culverts over 36 inch diameter on a 50% county and 50% township split.

Unfortunately, the revenue from the 19 cents per gallon gas tax has not kept up with other costs of doing business. Just last year (2005), our MTF revenues were down 3.8% from our 2004 revenues. So far in 2006, we are down 0.87% from our 2005 revenues. By law, we can transfer up to 30% of our Primary Road MTF revenue to our Local Road revenue, and we have been doing this for many years. This is no longer sufficient to fund our traditional Local Road Level of Services.

The Road Commission is immediately taking the following actions to help keep within our allowable local road expenses. Some will result in savings and others will increase our local road revenues.

1. We have four employees who have retired in the past year with a fifth position expected in September.

We will not be refilling any of these vacancies in the foreseeable future. This will result in a reduced or delayed level of service, especially in Winter.
2. We will not be plowing snow from most local gravel roads, and subdivision roads on an overtime basis, unless snow accumulation exceeds four inches. Exceptions to this would be a freezing rain or extreme drifting condition. This will take effect immediately.
3. We will no longer be able to share the expense of culvert replacement for local roads which are over 30 inches in diameter. The townships will be responsible for 100% of this expense.
4. The Road Commission will add our normal distributive (overhead) charge to all contract work paid by a township. This will include road construction, paving, gravel surfacing, and culverts.

Effective 09-27-06

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This will take effect in calendar year 2006. The rate will be the previous years audited figure, which was 6.60% for 2005. This figure will vary each year, but should be reduced as this expense is spread over all projects.

It is unfortunate to have to make these changes in our road policies, but until our revenues are increased, we are forced to make these changes. If anyone wishes to discuss these changes further contact our Manager or attend one of our bi-weekly meetings to discuss it with the Board.

ALLEGAN COUNTY ROAD COMMISSION

2006-2007 LOCAL & PRIMARY ROAD SYSTEM POLICY

LOCAL MAINTENANCE

On the Local and Primary Road System, the Road Commission assumes the cost of the following Maintenance items:

1. Blading or scraping gravel roads
2. Blading shoulders on blacktop roads
3. Filling washouts
4. Patching soft spots or low areas on gravel roads - 50 yards of gravel or less
5. Patching holes and cracks in blacktop roads
6. Mowing weeds and brush one time per year (*)
7. Removing dead or dying trees
8. Cleaning culverts and catch basins
9. Maintaining traffic signs and street name signs
10. Repairing guard rail & guard posts
11. Painting centerlines
12. Plowing snow
13. Placing sand & salt for ice control
14. Tree trimming and removal
15. Maintaining bridges
16. Replacing deteriorated road culverts up to 30 inches in diameter
17. Replace deteriorated driveway culverts as needed.

The funds to perform the above listed work come from the Michigan Transportation Fund. (Motor Fuel Tax & Registration Fees).

- (*) Townships may perform or contract for the mowing of their roadsides and the road commission will reimburse the township up to the rate of \$32.40 per centerline mile on local and primary roads one time per year. Any contractor who mows on county roads must obtain a permit from the Allegan County Road Commission. The Road Commission will also competitively bid and contract for mowing within all townships, unless the township chooses to do their own, and include a second mowing if the township agrees to pay the bid price. All mowing performed must meet county road commission specifications for county participation. If the road commission is mowing a township with its own forces, and the township requests a second mowing, the township will be invoiced at the rate of the current contract cost per centerline mile.

LOCAL SPECIAL MAINTENANCE

The following items of maintenance work which are specifically requested by townships on a Work Order form, are paid for by the township according to the following schedule:

1. Gravel Resurfacing -
By Contract - Unit price per yard as bid, plus the county distributive (overhead) cost on the contract cost.
2. Blacktop Resealing -
By Road Commission Forces - Not to exceed \$ 9,500.00 per mile - Using Slag as cover stone.

By Contract - Whatever the total contract and material costs are, plus the county distributive (overhead) cost on the contract cost.

3. Dustlayer Application -

By Contract - Actual cost as billed to the Road Commission by the contractor. No charge to the township for preparing roads for dustlayer. Costs for contract applications may be obtained by townships, but must be billed through the Road Commission.

4. Brush and Tree Trimming - Beyond Normal Maintenance

By Contract or Machine - Actual cost as billed to the Road Commission by the contractor for work specifically requested by townships.

LOCAL ROAD CONSTRUCTION

The Board of Road Commissioners has established the following policies in regard to Local Road Construction.

The following listed items will be done at no cost to the townships:

1. The Road Commission will establish the right-of-way for all local roads scheduled for reconstruction.
2. The Road Commission will furnish, install and maintain all required traffic control signs and street name signs on all local roads including newly reconstructed ones.
3. The Road Commission will perform the work necessary to prepare a local road project for construction by Road Commission forces or for competitive bidding by contractors. Such work includes: (1) Right-of-way establishment (2) Design (3) Plans and Specifications (4) Advertisement for Bids and bidding documents.
4. The Road Commission will acquire and pay for any additional right-of-way or easements.

The following listed charges will be paid by the townships for Local Road Construction work:

1. Machine-laid, Hot Asphalt Surfacing or Resurfacing -

By Contract - Actual cost as billed to the Road Commission for final quantities placed plus charges for staking and inspection by Road Commission and any necessary preparation and restoration work not included in the contract, based on labor** and equipment costs, and distributive (overhead) charge.

By Road Commission Forces - This type of work is not done by County Forces

2. Complete Reconstruction of a Section of Road -

By Contract - Actual cost of the work as billed to the Road Commission for final quantities completed by the contractor plus the actual charge for construction staking and inspection not to exceed 5% of the contract cost, based on labor** and equipment costs, and distributive (overhead) charge.

By Road Commission Forces - Actual cost of all county labor and county equipment including materials furnished by the road commission. Charges for materials delivered to the project, rented equipment and sub-contractors will be added to the project bill.

3. Guard Rail Installation or Complete Replacement - as required by the road work or current standards, will be an expense paid for by the township, as part of the project cost of a road construction project.

4. Culvert Replacement -

By definition a culvert has a span (width of stream) of 20 feet or less.

If a culvert is to be replaced as part of a road reconstruction project, the full cost of the culvert replacement will be part of the total road project cost. If a culvert is to be replaced as an individual separate or emergency project, the township will be billed for the total cost of the work, whether by contract or by road commission labor** and equipment costs. Culverts under 36 inches in diameter will be replaced by the road commission at their expense. Culverts 36 inches and larger would be paid for by the township, either by bid contract or at road commission costs.

5. Bridge Replacement -

All of the remaining inadequate bridges with spans of 20 feet or more have been placed on the State's Critical Bridge Replacement List. This list is a priority list that is revised annually. If and when any of these bridges should become eligible for replacement, 80% of the cost of such replacement would come from Federal funds, and 15% would come from State funds. The remaining 5% would come from Road Commission funds. Townships would be expected to participate in the cost of extensive or unusual approach road construction, when they exceed the limits of federal and state funding.

The cost of bridge replacement, if the replacement is to be done other than through the State Critical Bridge program, the Road Commission will still pay 5% of the construction costs with the township funding any remaining local cost, or as negotiated

6. Undeveloped Roads or Seasonal Roads

Construction costs on undeveloped roads which are currently being certified would be negotiated between the Road Commission and the effected township, with the Road Commission targeting to pay 25% of the cost to build to standards, if funds are available that year.

- ** Actual cost of all county labor and county equipment will include a 59.8% charge for fringe benefits on county labor and a 6.60% charge for distributive (overhead) cost on the total of county labor, equipment and materials furnished by the county. Charges for materials delivered to the project, rented equipment, and sub-contractors will be added to the project bill without an overhead charge. (These percentages may change slightly based on previous year end audit.)

PRIMARY HEAVY MAINTENANCE

1) Primary Road Construction

When a County Primary Road is constructed for pavement, or when a currently paved County Primary Road is completely reconstructed for repaving, the township shall contribute \$35,000 per mile and the Road Commission shall obtain funds for all other costs.

2) Primary Road Renovation

When an existing paved Primary Road is resurfaced and major renovation work is required, such as extensive building of shoulder widths, ditch relocation, tree removals and spot grade improvements, but most of the original surface is only resurfaced, the township shall contribute \$25,000 per mile towards these renovation costs.

3) Primary Road Shoulder Paving

When the shoulders of a County Primary Road is being resurfaced, and the shoulders are to be paved for the first time, the township shall pay the cost of this asphalt, based on the bid unit cost of the asphalt to be used. Future road resurfacing shall include the cost of the shoulders as part of the project.