

Deferring Maintenance: Pave Now or Pave More Later

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HIGHWAY USER REVENUE CUTS AND THE
EFFECTS ON QUEEN ANNE'S COUNTY

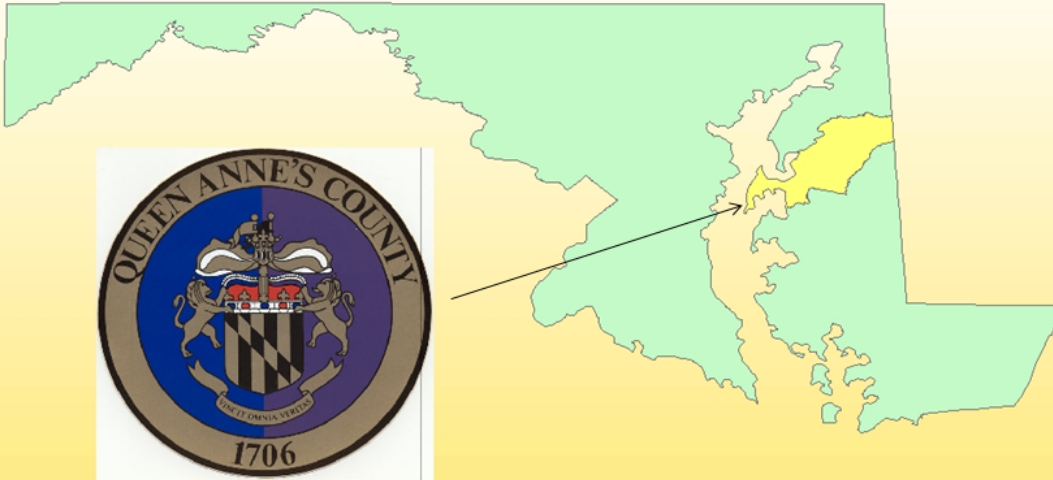
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1/7/2010

Queen Anne's County

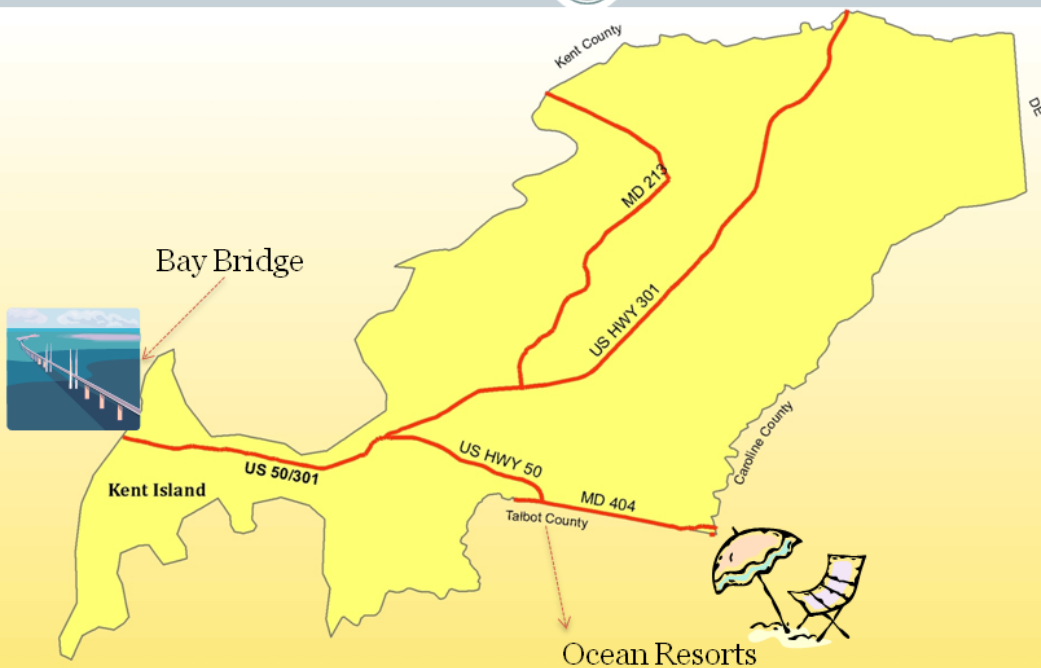
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Queen Anne's County

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Queen Anne's County Statistics

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551 centerline miles of roadway

32 bridges

100+ pieces of equipment in fleet

62 employees

More than 70% of road miles in Queen Anne's County are maintained by local government – ***these are the roads that get us all home.***

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We assumed responsibility of our local roads in 1959 from the State

Local Roads vs. State Roads.....County Roads are best known by their “Names” while State Roads are referred to by their route “Number”

551 miles of local roads

32 bridges

Fleet of 117 pieces of equipment including:

25 Dump Trucks with Plows

21 Tractor Mowers

25 Other Special Mobil Equipment – loaders, motor-
graders

Workforce of 62 Employees

More than 70 Percent of the centerline miles in Queen Anne's County are maintained by Local governments – ***these are the roads that get us all home!***

Transportation Trust Fund & Highway User Revenues

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Transportation Trust Fund – Created in 1971

- Dedicated to support Maryland Transportation
- Commitment provides excellent infrastructure
- Supports economic growth

Trust Fund or “Highway User Revenues” (HUR)

- Motor Fuel Tax and vehicle registrations
- Shared with local governments
- 70% to MDOT, 15% to Baltimore City and 15% to all other local governments

HUR has funded the ENTIRE Roads Maintenance Program in Queen Anne’s County since inception

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Transportation needs in Maryland are funded from an integrated account called the Transportation Trust Fund. The Transportation Trust Fund was created in 1971 to establish a dedicated fund to support the Maryland Department of Transportation (MDOT). The continuing commitment of these funds has provided Maryland with the excellent infrastructure system necessary to support the economic growth of the State.

Activities supported by the Trust Fund include debt service, maintenance, operations, administration, and capital projects. **Unexpended funds remaining in the Trust Fund at the close of the fiscal year are carried over and are not reverted to the State's General Fund.**

The majority of Trust Fund sources include motor fuel taxes, motor vehicle titling taxes, motor vehicle fees, and federal-aid. In addition, the Trust Fund also includes corporate income taxes, operating revenues, and bond proceeds.

Historically these revenues are shared with local governments based on statutory requirements. The funds are distributed 70 percent to MDOT, 15 percent to Baltimore City, and 15 percent to the counties and municipalities based on motor vehicle registrations and road miles. These are Highway User Revenues or HUR.

The Transportation Trust Fund permits the State tremendous flexibility to meet the needs of a diverse transportation system. Maryland was one of the first states to have an integrated trust fund, which has become a model and copied by other states. By working closely with the rating agencies and maintaining financially prudent criteria regarding the Trust Fund, the Department has one of the highest credit ratings given to transportation agencies.

Source: <http://www.mdot.state.md.us/Transportation%20Revenues%20and%20Expenses/TransportationFund.html>

How we use Highway User Revenue

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Operating Expenditures

- Salaries & Benefits
- Mowing & Trimming
- Snow Removal
- Patching & Chip-Sealing
- Signage & Pavement Striping
- Drainage Work

Capital Expenditures (surplus operating funds)

- Fleet Equipment
- Hot Mix Asphalt Paving Projects
- Federal-Aid Matching Fund



Queen Anne's County – like most other rural counties – ***has relied almost exclusively on HUR*** for both operating and capital expenditures.

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Operating Budget - salaries & benefits, mowing & trimming, SNOW REMOVAL, patching, chip-seal program, signs & pavement striping, and drainage work

Other Services (non-road related) Fleet Services to all County Vehicles, Mosquito Control Program and Non-Road Capital Projects

Capital Budget (our savings from unused annual operating budget)

All Fleet Equipment

Asphalt paving projects

Federal Aid Matching Funds

In other words, QAC - like many other rural Maryland Counties - have relied exclusively on HUR for both Operating & Capital funding since the assuming responsibility over our respective local roads systems.

Round 1 HUR Cuts 2003-2005

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Highway User Revenue funding for local governments was cut deeply – over \$245 million cut statewide.

Queen Anne's County's share of the cuts was \$3.4 million



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Highway User – Funding to local governments was cut deeply to help patch over the state's fiscal woes in recent years 2003 – 2005 over \$245 million

For QAC this was about a \$3.4 million reduction (which we absorbed) by deferring road maintenance and Capital Equipment replacements

Round 2 HUR Cuts FY2010

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Highway User Revenue forecast for Queen Anne's County was reduced from \$5.6 million to \$4.8 million due to economic crisis.

The General Assembly cut HUR again which reduced our share to \$2.6 million

Board of Public Works cut the remaining local allocation by an additional 90%, which brought our share to \$260,000

The final cut by the BPW was after our budget was struck and after the Counties would have had an opportunity to increase revenues.

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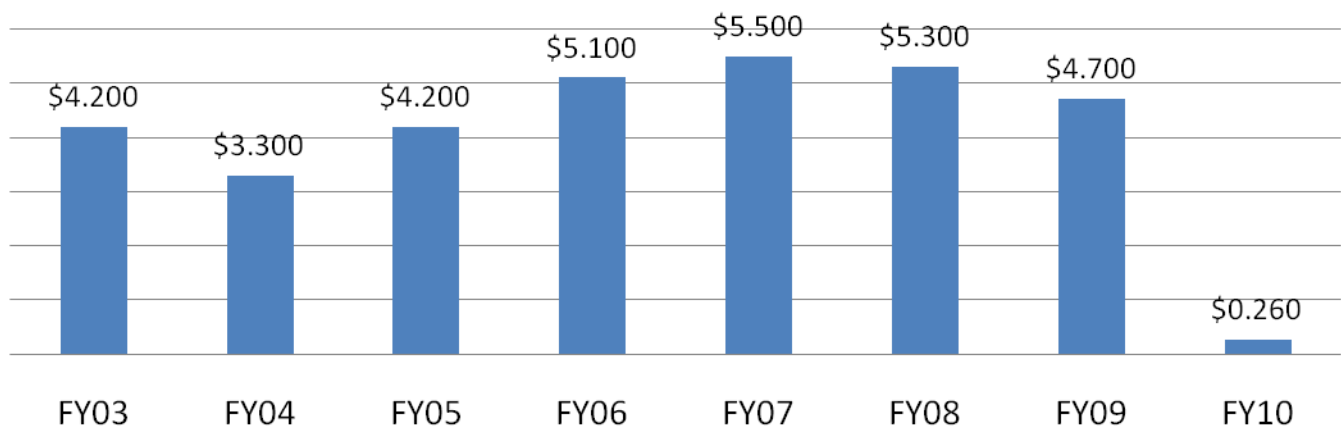
The HUR forecast was reduced from \$5.6 to \$4.8 million due to economic downturn

Maryland General Assembly cut HUR again further reducing our share to \$2.6 million (April 2009)

State Board of Public Works (BPW) cut the remaining local allocation by an additional 90% reducing our share to \$260,000 (August 26, 2009). The monthly payroll for the Roads Division is about \$300,000.

The final cut by the BPW was after our budget was stuck and after the Counties would have had an opportunity to increase revenues (i.e. raise taxes).

Queen Anne's HUR Receipts FY03-FY10 (in Millions)



Impacts in Queen Anne's County

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General Fund monies were used to supplant HUR funding for the first time

Derived from Prior Year Fund Balance (one-time money)

Continued use of Prior Year Fund Balance will negatively impact our Bond Rating

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Our General Fund had to make significant contributions to supplant the Roads Budget for the first time in our County's history...

Based on HUR cuts through August 2009, General Fund dollars totaling \$4,816,552 was used to supplement the Roads Operating budget.

This money was derived from prior year fund balance which is "one-time money"

This action was permitted in FY 2010 because the major cut came after the budget was struck, however the County has been notified that using one time money is not permitted for yearly operating budgets.

Therefore the use of prior year fund balance to supplement future operating budgets will result in a negative impact on the County's Bond rating.

We have maintained our credit rating AA Fitch and A1 Moody's so far.

Impacts in Queen Anne's County

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Impacts:

- March 2008 – vacant positions have not been backfilled
 - Current Force Reduction – 8 with 3+ pending
- September 2008 – Capital equipment deferred
- August 2009
 - System preservation program, all pavement management projects deferred
 - Overtime reduced/eliminated

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March 2008 – vacated positions have not been backfilled (8 at present)
current = 54 with 3 or 4 more retirements pending (down from 62)

September 2008 – All capital equipment replacements were deferred

August 2009 – System preservation program including all pavement management projects, were deferred.

August 2009 – All Overtime was either minimized or eliminated

What's Next... Round 3 Cuts?

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Further reduction in maintenance services:

- Mowing reductions
- Chip Seal & Paving Program reductions/elimination
- Snow plowing reductions
- Elimination of drainage maintenance
- Compromise public safety and economic growth?



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Further reduce maintenance efforts including:

-Reductions in mowing and trimming will affect visibility at intersections and public safety

-Reductions in snow plow operations

Start when snow is deeper

Plow main roads only on minor storms (less than 3 inches)

-Elimination of drainage maintenance will result in more infrastructure and private property damage

-Continue to watch our road system deteriorate as we defer system preservation

-Are we compromising public safety and our economic future?

-Reductions in Force??? = Loss of in-house training and experience

-Further level of service reductions???

Current Backlog in Queen Anne's County

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Our current backlog is growing...

Tar & Chip	\$5.1 million
Slurry Seal	\$62,000
Asphalt	\$1.3 million
Equipment Replacement	\$2.5 million

\$8.9 million

Next year...?
Up to \$10.5 million



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Tar & chip	5.1 million
Slurry Seal	62,000
HMA	1.3 million
Equipment Replacement Backlog	2.5 million

Average age of fleet 13+ years

Average mileage of dump truck fleet 130,000+ miles

Can we continue to ignore our roads?

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- Preserve our infrastructure investment
- Restore “Trust” in the Transportation Trust Fund
 - Dedicate HUR for Roads



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We must preserve the investment and asset of our Highway Infrastructure

We need to restore the “TRUST” in the Transportation Trust Fund

USE Highway User Revenue for the intended purpose to maintain our ROADS !



Queen Anne's County

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