



Antrim County Road Commission
2018 Annual Report
to the
Antrim County Board of Commissioners

June 6, 2019

TABLE OF CONTENTS

| | |
|--|------------|
| Introduction | 3 |
| Revenues | 4 |
| Expenses | 6 |
| Road Projects | 7 |
| County Road Pavement Conditions | 8 |
| County Road Needs | 10 |
| Road Funding | 12 |
| Annual Financial Report for 2018 (Act 51 report) | Appendix A |
| Basic Financial Statements for 2018 (audit) | Appendix B |

Introduction

The Antrim County Road Commission (ACRC) maintains 210 miles of primary county roads and 663 miles of local county roads. Also, the Michigan Department of Transportation (MDOT) contracts with the ACRC to perform routine maintenance on 98 miles of state trunkline (M 32, M 66, M 88, US 31 and US 131). In the county system, approximately 700 miles are maintained year round; 556 miles are paved, 144 miles are gravel, leaving 173 miles of seasonal roads (not open to public travel for the months of November through April).

The ACRC's primary responsibility is to provide safe roads for the motoring public. As will be shown in detail in this report, we also work to make improvements where the townships desire to provide better roads for their constituents. In more recent years, townships are shifting money to preventive maintenance to preserve the investments they have made in these improvements. In an ideal world, there would be enough money provided to the ACRC through user fees so that the townships would not have to contribute to this preventive maintenance.

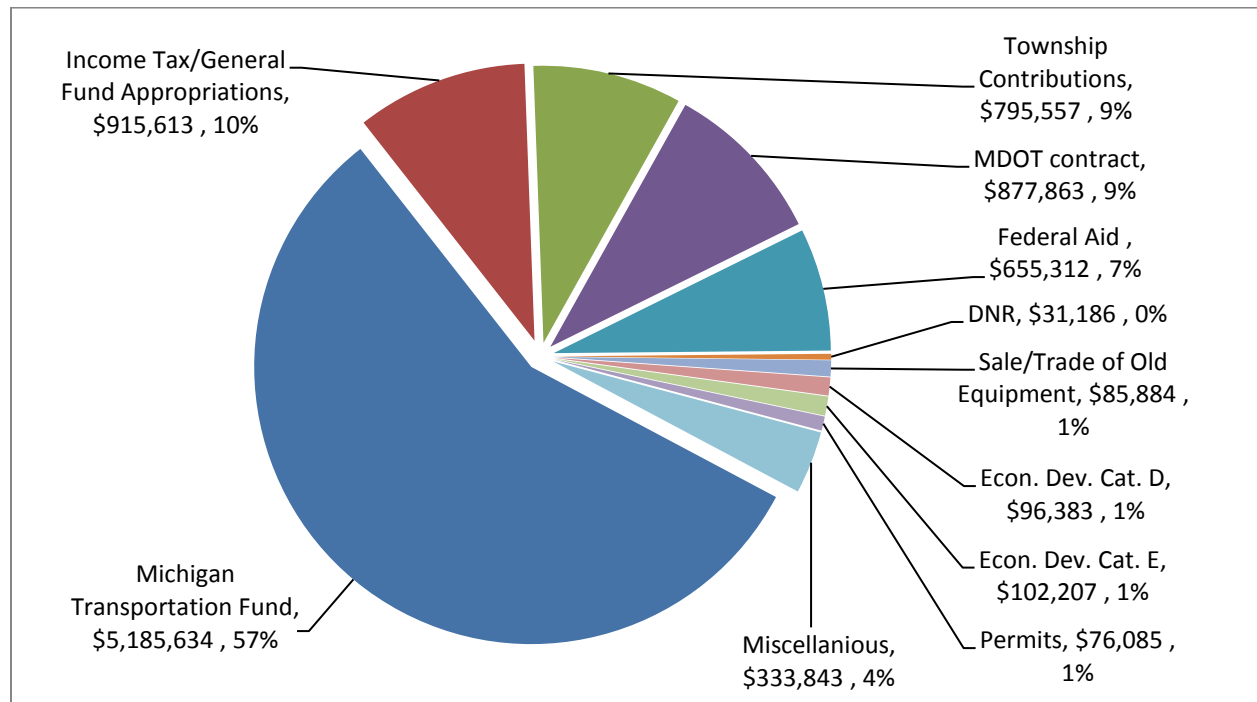
This report will expand on and discuss some of the major financial items that are reported through either audits or other mandated reporting. A short discussion on jobs completed during the year along with the current status and needs of our roads, equipment and facilities.

The revenue and expense information provided in the following pages can also be found in the Annual Financial Report that is filed with the MDOT as required by Act 51, Public Acts of 1951, as amended. This report is included as Appendix A. Also included in this report, as Appendix B, is the Basic Financial Statements for Year Ended December 31, 2018 (audit).

Revenues

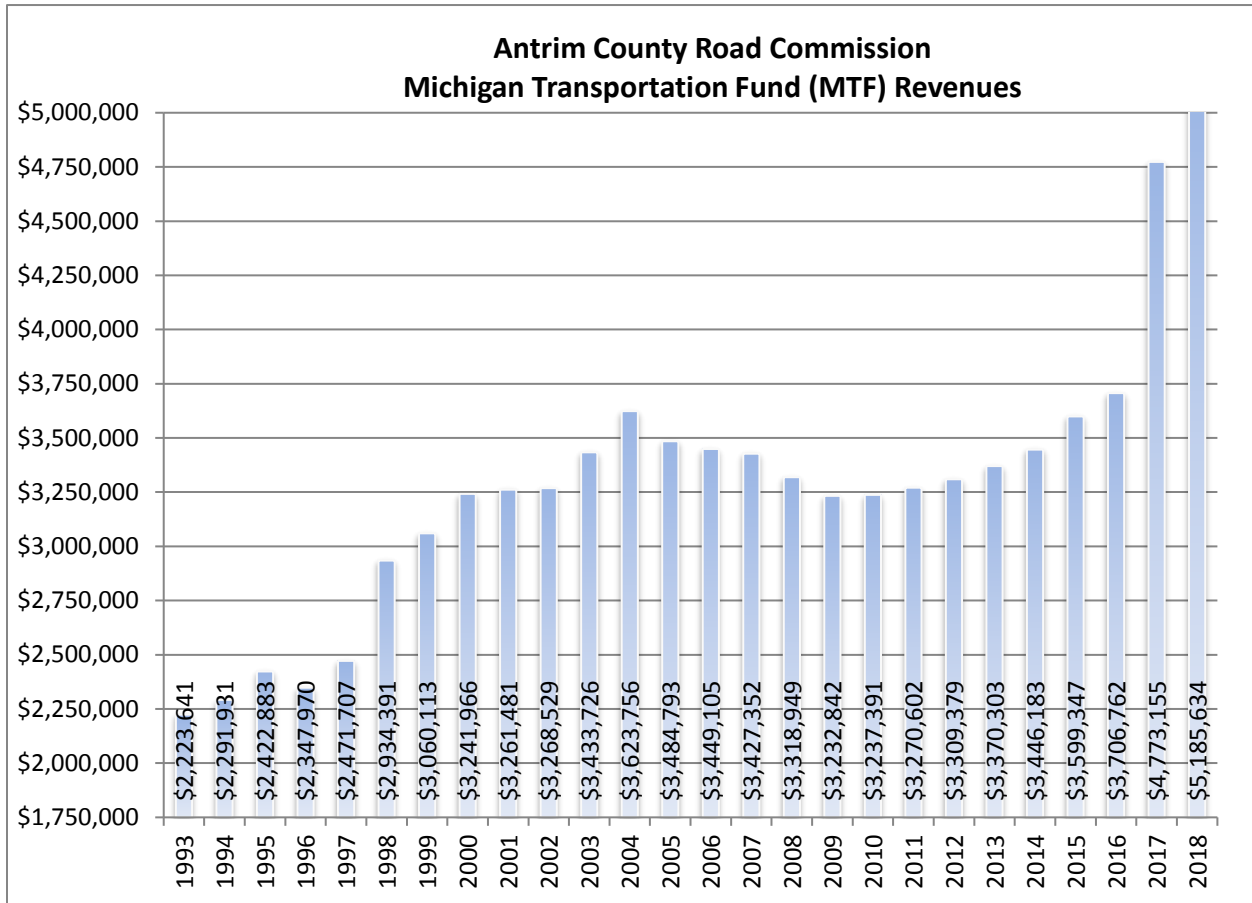
Total revenue received was \$8,844,015, down almost \$312,000 from the previous year. The main source of revenue is the Michigan Transportation Fund (MTF) which is the primary fund used for all routine maintenance and operating expenses. At almost \$5.2 million or 57% of all revenue. A new revenue category is Income Tax/General Fund Appropriations which amounted to over \$915,000 or 10% of all revenue. Township contributions amounted to 9% of the total which is down \$751,000 from the previous year. The MDOT contract amounted to 9% of total revenue, down slightly from the previous year. Federal Aid was 7%, up by about \$79,000. A non-typical source of revenue is from the DNR which was a special project we worked on for them. This was the Chestonia Boat Access Site on the Jordan River which was developed after the new bridge was installed on Old State Road. The revenues received are shown in Chart 1 below.

Chart 1 – Revenues



The MTF is the primary source of funding for all road agencies in Michigan. Revenues from gasoline tax, diesel fuel tax and vehicle registration fees make up most of the MTF which totaled just over \$2.87 billion in 2018, up 7%, or about \$412 million, from the previous year's collection. Chart 2 below shows MTF revenues received by the ACRC over the last 26 years.

Chart 2 – Michigan Transportation Fund Revenues

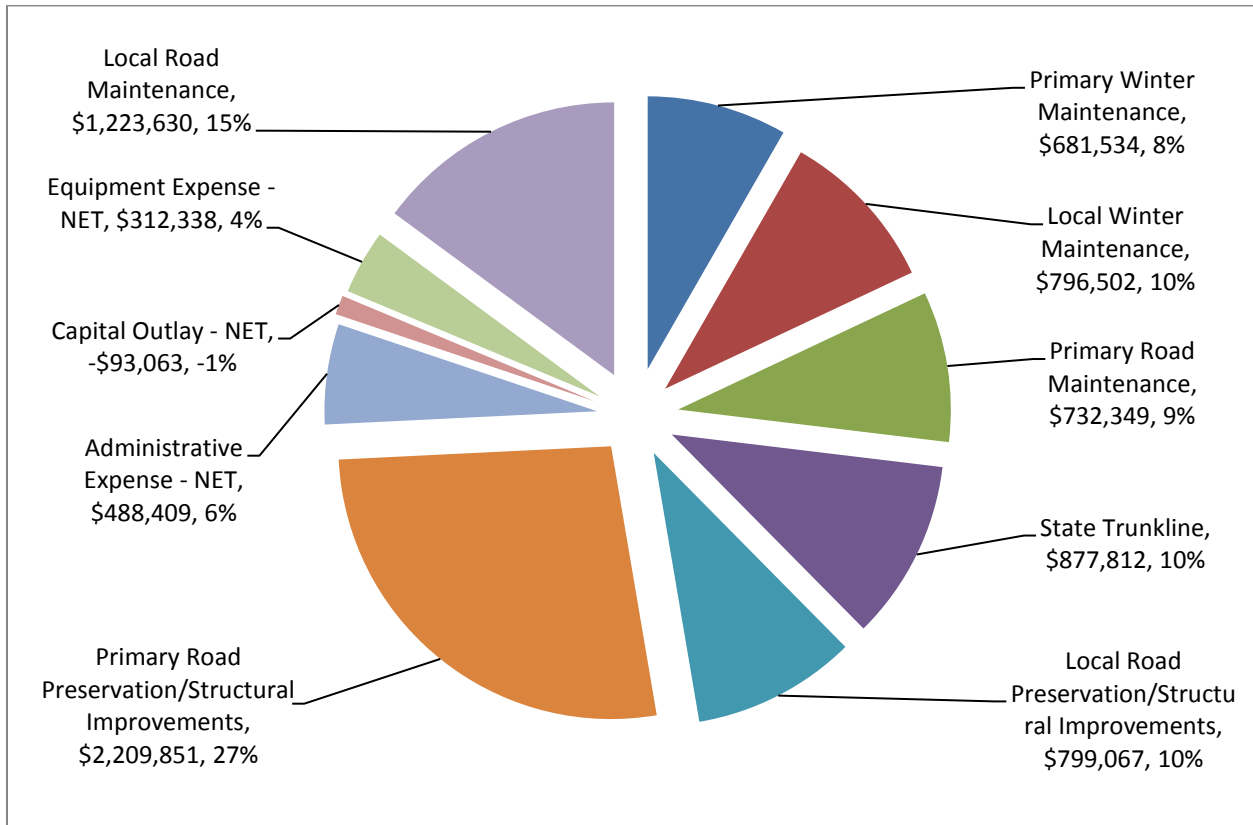


Between 1997 and 1998, gasoline tax was increased from 15¢ per gallon to 19¢ per gallon. On January 1, 2017, fuel taxes were increased to 26.3¢ per gallon and vehicle registration fees were increased by about 20%.

Expenses

Total expenses were \$8,028,431, down almost \$2745,000. Chart 3 shows the breakdown of major expense items.

Chart 3 – Major Expense Categories



Primary and Local Road Maintenance includes routine maintenance such as pot hole patching, gravel road grading and dust control, roadside mowing, etc. Pavement preventive maintenance is included in this category and includes such treatments as thin hot mix asphalt overlays, crack filling and chip sealing. Preservation/Structural Improvements include paving gravel roads, hot mix asphalt overlays thicker than one and one half inch, three inches or more of aggregate on a gravel road, etc.

Snow and ice control is one of the single largest expenses under the local and primary road maintenance expenditures and totals \$1,478,036, down almost \$55,000 from the previous calendar year. In previous year's annual reports, this has been included in the Primary Road Maintenance and Local Road Maintenance totals, but since it is a large expense on its own, it has been separated out beginning with this year's report.

State Trunkline

State highway maintenance totaled \$877,812, up about \$13,000 from the previous year. The MDOT contracts with the ACRC for all routine maintenance needs on the state trunklines in the county. The majority of this work, like in the county road system, is winter maintenance. ACRC also provides patching, shoulder maintenance, tree and vegetation control and other routine or reactive work. All work is paid for monthly as incurred and is audited to actual cost after the fiscal year.

Road Projects

Township requested road projects completed in 2018 amounted to \$1,005,492. In accordance with the ACRC policy in effect for 2018, funding for these projects was 10% ACRC and 90% townships for township requested project. This is down by about \$637,000 from the previous year. However, there was \$295,000 of work scheduled but delayed until 2019 due to the contractor lock out of labor forces in the fall of 2018.

Projects that had township cooperation included 4.7 miles of resurfacing, 2.5 miles of gravel surfacing and just over ½ mile of paving gravel roads.

An additional \$655,312 of Federal aid (STP) and \$96,383 of State Economic Development Category D funds were used to reconstruct Marion Center Road, about 1.5 miles. This road will be an all-season truck route and will not be weight restricted in the spring once Charlevoix County completes reconstruction of the remainder. There is some restoration remaining for 2019 as this project was delayed due to the contractor lock out of labor forces.

New state revenues and special general fund appropriations for roads were used to reconstruct 4.3 miles of Alba Highway between M 66 and US 131 at a cost of \$1,123,000. This road is now an all-season truck route and will not be weight restricted in the spring.

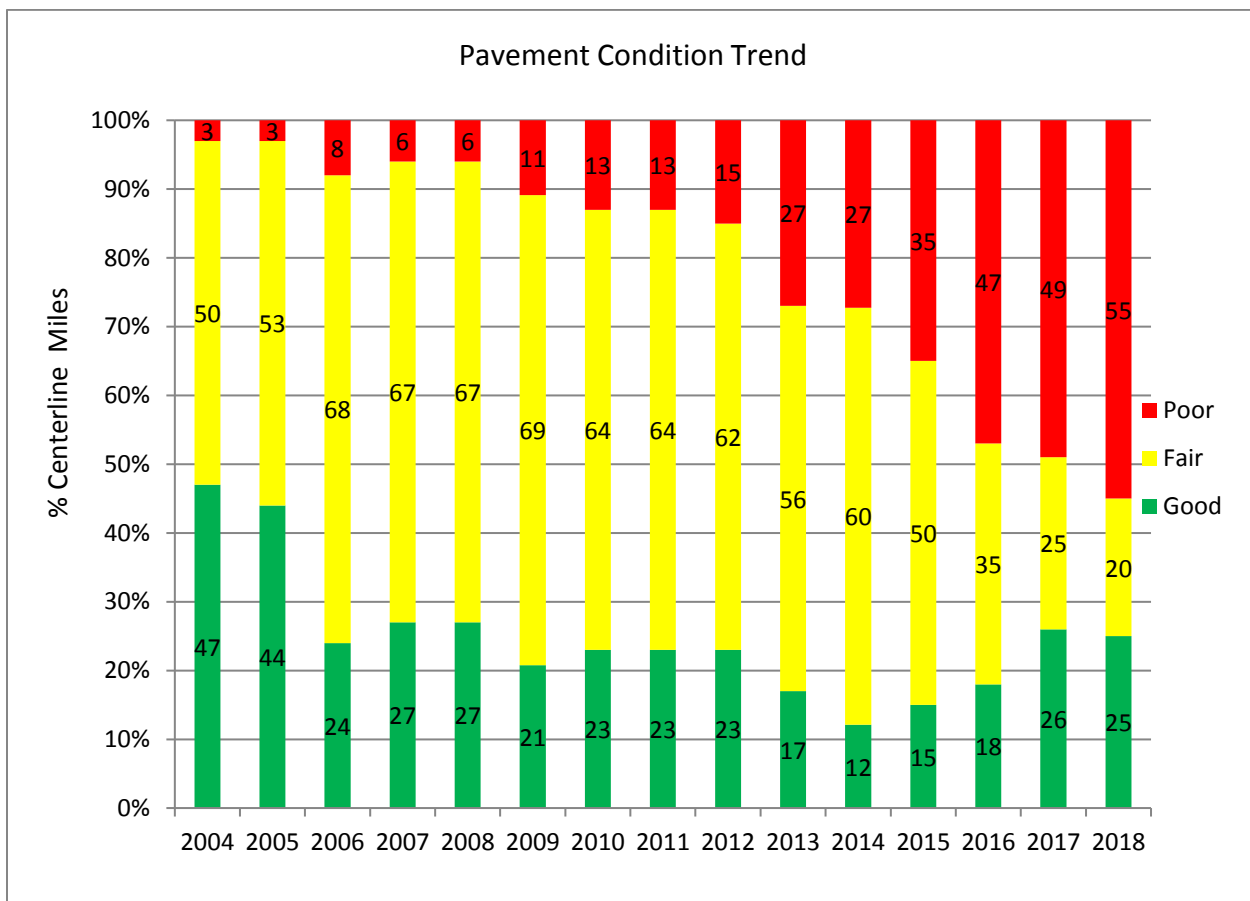
We also received a Federal Safety Grant for \$105,000 (plus 20% local match) to upgrade guardrail along Bellaire Highway. There is a short section of new rail remaining to be installed in 2019 under this grant due to a Frontier fiber optic cable that is in the way and we are waiting for them to relocate it. This fiber feeds all 911 calls to our 911 Dispatch so it is important that it not be damaged.

County Road Pavement Conditions

The State of Michigan passed legislation that requires the use of an asset management system for public paved road maintenance. The Asset Management Council was established as a result of this legislation. Michigan is recognized nationally as leader in pavement asset management.

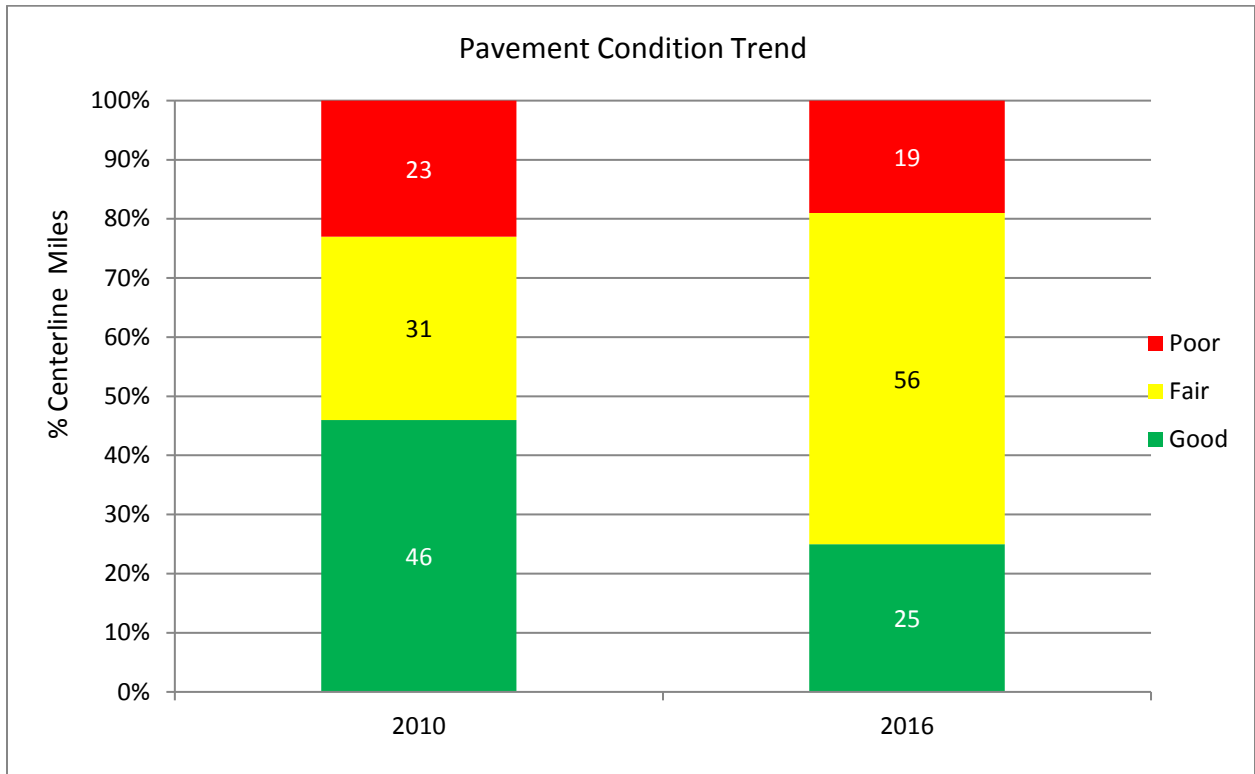
Since 2003 we have been evaluating and rating our Federal Aid eligible paved road system in Michigan. Since the start, the ACRC has been involved in this annual rating on the county primary roads and the state highway systems. Chart 6 shows the Federal Aid eligible county primary road pavement condition trends for the last 15 years.

Chart 6 – Federal Aid Eligible Primary County Road Surface Condition Trend



This chart represents 178 centerline miles of primary road, being only the roads that are eligible for federal aid and therefore have been rated every year since 2003. There are 32 miles of primary road that are not federal aid eligible.

Chart 7 – Non-Federal Aid Eligible County Road Surface Condition Trend

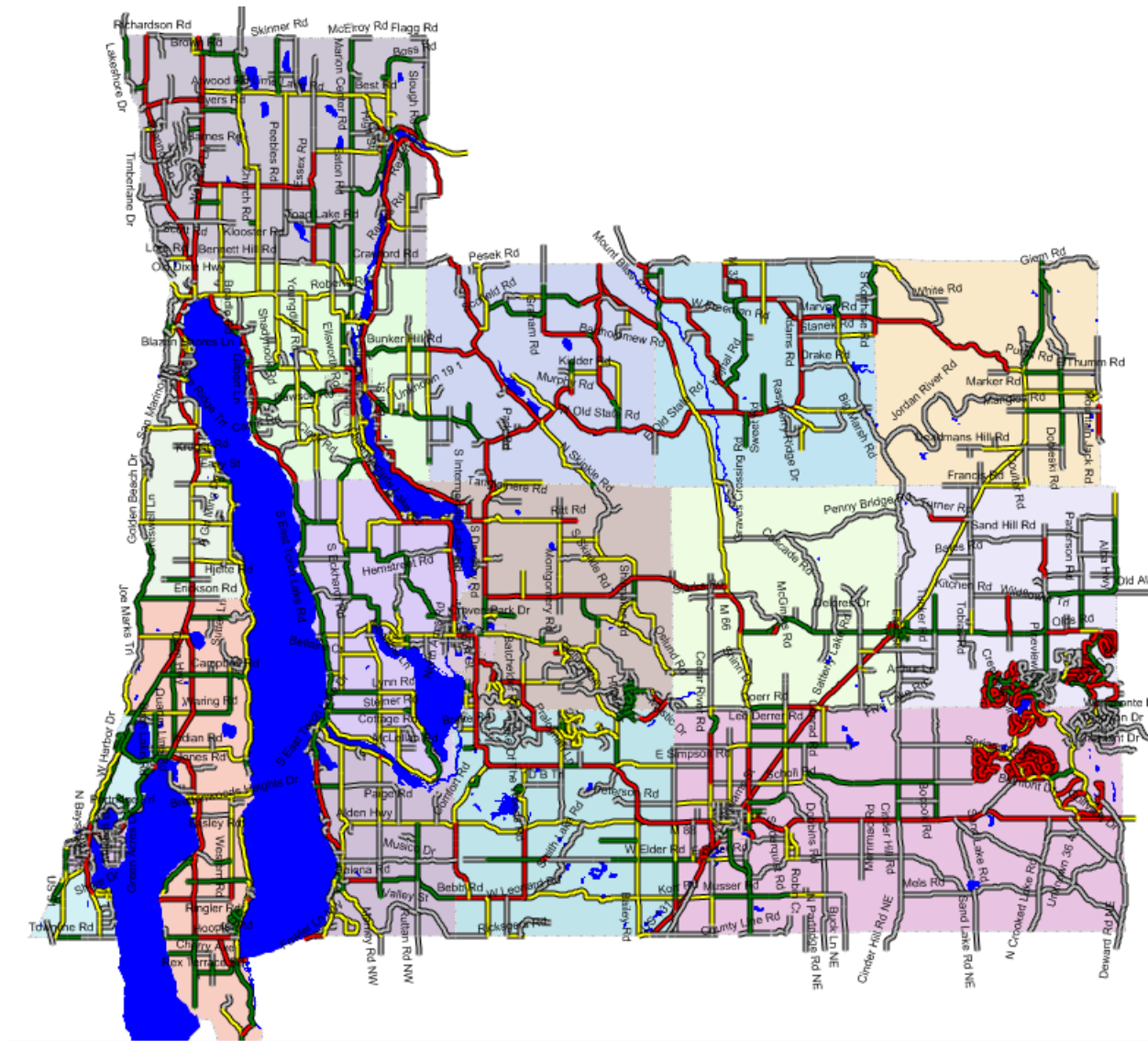


County Road Needs

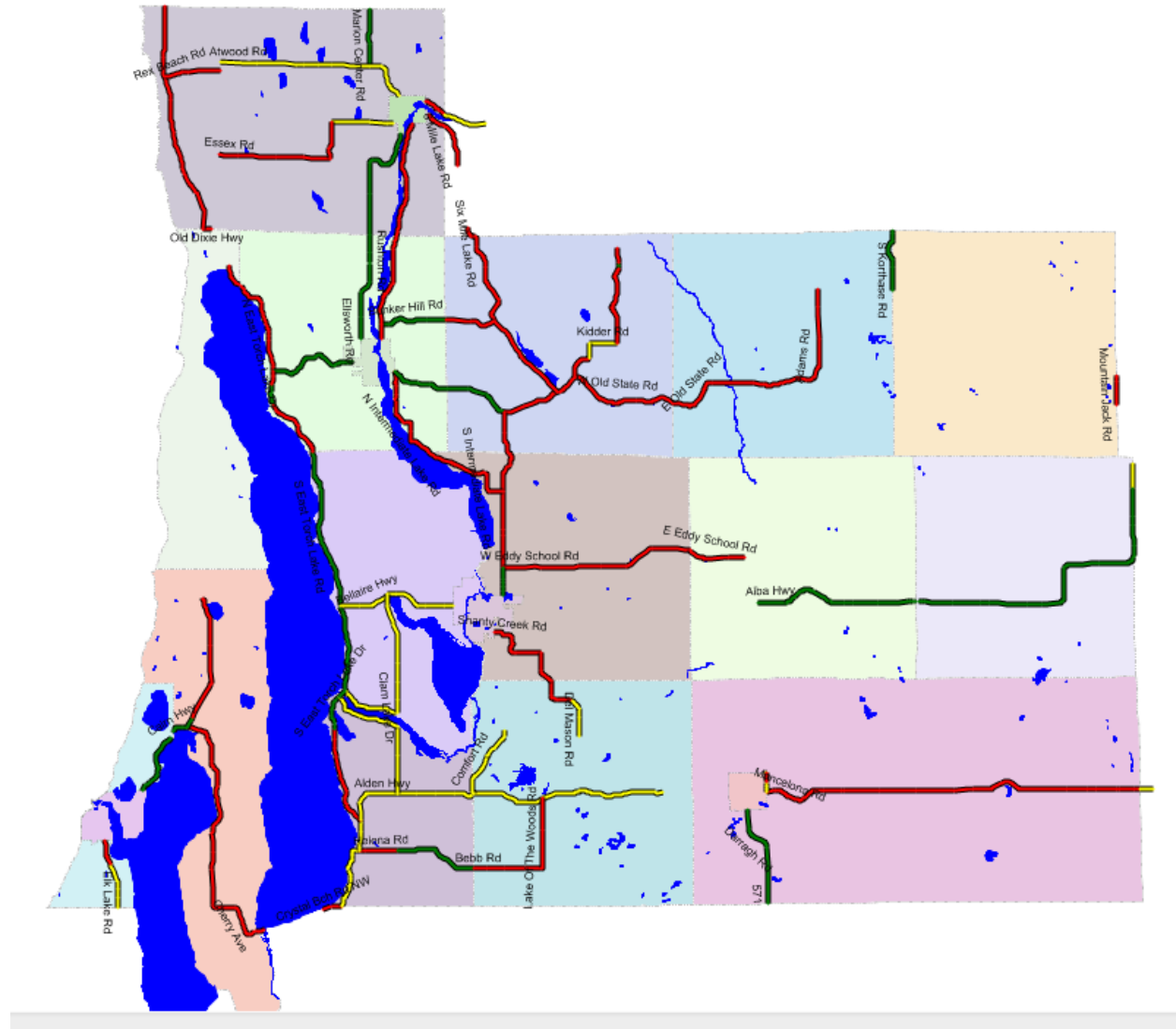


The estimate of needed work on the paved county road system was is over \$47 million. This does not address the needs on the gravel and seasonal roads.

The map below shows the condition of all county roads including those that are federal aid eligible. The green roads are good, yellow is fair and red is poor. This map includes the last rating entered on all paved roads. It is readily apparent the abundance of poor condition roads.



The map below shows the current condition of federal aid eligible paved roads only. These correlate to the data depicted in Charts 6.



Facility Needs

The ACRC maintains garages in Mancelona, Central Lake and Kewadin. The administrative office is located at the main garage in Mancelona.

There continues to be a need to replace the truck storage garage in Central Lake where the original building was built in 1940. The current estimate is well over \$1 million. There is no definite schedule for this replacement.

All other facilities are in good shape and we continue to perform routine maintenance to keep them in good shape.

Staff

For the last several years, the ACRC has employed 34 full time people, 23 truck drivers and equipment operators and three mechanics. This is the minimum efficient winter maintenance crew. There is need for more employees at different times throughout the year and we do supplement with temporary employees, mainly during winter.

Road Funding

Legislation enacted in 2015 which increased fuel taxes and vehicle registration fees resulted in an increase in revenue to the Road Commission of just over \$1 million in 2017 over 2016. This is about a 29% increase in revenue. Referring to Chart 2 on page 5, current revenues are about where they should be had appropriate increases in fuel taxes and registration fees been incrementally increased over time. It is clear that a tremendous amount of revenue could have been collected during the period between 2004 and 2017. During this 12 year span, it is estimated to be \$8.5 million. This lost revenue would have helped tremendously to keep our roads from deteriorating at the excessive rate we are experiencing.

The same legislation enacted in 2015 added \$150 million to the Michigan Transportation Fund in 2018. The legislature also appropriated an additional \$300 million general fund money to roads. This resulted in an additional \$900,000 to the ACRC. The additional unplanned appropriation helped the ACRC extend the Alba Hwy project all the way to M 66, as it would have fallen about one mile short originally.

Last year's report included this statement: "All this is good news for roads but it is still too little too late. Roads in the county will continue to deteriorate faster than we are able to improve them. Expect future pavement ratings to show this trend of deterioration." It is still too early to see any trends in road condition, but we might see the rate of deterioration level off in the next few years. If additional road funding is provided by the state, we may then begin to gain good condition road mileage.

Appendix A
Annual Financial Report for 2018
(Act 51 Report)

In separate PDF file.

Appendix B
Basic Financial Statements for 2018
(Audit)

In separate PDF file.