let’s discuss
City of Fate & City of Anna Tactics for Avoiding Bankruptcy & Doing Aggressive Road Maintenance
City Manager Michael Kovacs

- City Management – 21 years
- Cities – Texas: Corpus Christi, Presidio, Port Aransas, Galveston, Fate, South Carolina: Surfside Beach (near Myrtle Beach), Utah: Park City!
- Emergency Management 1 year, & Police Management Intern
- Texas A&M University – Corpus Christi, BA2, MPA
- Fate resident
- GO STARS!
Jim Proce, ICMA-CM

- City Management & Public Works – 35 years
- Agencies in Florida and Texas – Palm Bay, Melbourne Tillman Water Control District, Rowlett, Anna
- City Manager, Assistant City Manager Public Works Director, Transportation Manager, Vice President, Street Superintendent, Supervisor, Inspector, Survey Worker, Drafter
- BS - Rollins College, Winter Park FL
- MBA – University of Central Florida, Orlando FL
- Certification – Harvard University, Cambridge MA (State & Local Government Executive Training Program)
- #AnnaTexasTheNextBigThinginNTX
• Anna Population Today is 15010
• 56.40% increase since 2013
• Consistently growing at 9% annually (increasing rate)

• But what does that mean about our future?
CURRENT INVENTORY PCI RANGE = 0 through 100

DESIRED PCI RANGE SHOULD BE 55 and ABOVE TO MAINTAIN SYSTEM EFFICIENTLY and CONTROL COSTS

PAVEMENT CONDITION INDEX ANALYSIS

CURRENT MEAN PCI = 77

37% ROUTINE MAINTENANCE

49% PAVEMENT PRESERVATION

14% MAJOR REHABILITATION

PAVEMENT CONDITION INDEX

PCl

86 - 100

56 - 85

0 - 55

CONDITION RATING (%)

Very good

Good

Fair

Poor

End of usable structural life

End of effective service life

End of optimum service life

Loss of optimum service condition

Public acceptance wanes

Optimum rehabilitation level

Essential intervention or reconstruction required

Untrafficable

Impassable

AGE

0

20

40

60

80

100

Very good

Good

Fair

Poor

Initial level

Initial investigation level

Restoration level

End of usable structural life

End of effective service life

End of optimum service life

Loss of optimum service condition

Public acceptance wanes

Optimum rehabilitation level

Essential intervention or reconstruction required

Untrafficable

Impassable

0

20

40

60

80

100

Very good

Good

Fair

Poor
Pavement Infrastructure Needs

- Even with the financial injection of funds, the system will lose ground as the aggregate PCI will decline at current spending levels.
- In the Micropaver analysis, the current spending levels resulted in greater liability event after the reinvestment of significant dollars.
- This is most evident due to the pavement deterioration.
- To remain at the current PCI 77 annual reinvestment should be $10.5M for approximately 8 to 10 years.

<table>
<thead>
<tr>
<th>Program</th>
<th>Current Needs</th>
<th>Funded</th>
<th>Expected Liability FY2018</th>
<th>Projected Outstanding Liability</th>
<th>Realized Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alleys</td>
<td>$27.0M</td>
<td>$2.0M</td>
<td>$25.0M</td>
<td>$31.4M</td>
<td>$8.4M</td>
</tr>
<tr>
<td>Roads</td>
<td>$45.0M</td>
<td>$13.5M</td>
<td>$31.5M</td>
<td>$45.7M</td>
<td>$27.7M</td>
</tr>
</tbody>
</table>
Make it simple and ask yourself:

What is total inventory?
What is total inventory replacement cost?
How much are you spending annually?
What is the gap?
Do the math

How may years will it take to do it all, assuming the roads you build are so good they will last forever?

535 miles = $800M?
How ever you break it down it’s a huge number!
What are your numbers?

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Matt Yager and Kevin Shepherd my experience with the life cycle analysis in every city I have every engaged, reviewed or worked for have not looked closely enough at those long term liabilities. I have told folks (more times than I can count) even if you take the snapshot look at it looking at lanes miles in inventory and total replacement costs for that inventory you’ll be very surprised at the replacement value of that asset. Start factoring in exponential deterioration, pavement condition index, rising costs of construction labor/materials and time value of $ and you will see that these numbers get huge fast. The reinvestment in capital just isn’t there and with no one interested in paying more taxes the models for future development and redevelopment have to change. That article has some interesting points (some of which make sense) but when I look at the (tax) revenue generating potential of suburban areas it doesn’t look sustainable without other considerations: reducing infrastructure costs up front, more dense and diverse housing stock, going vertical, more sustainable construction standards, and active management of the deterioration curves to maximize maintenance service intervals and avoid the exponential deterioration.
Awesome editorial below on the above article by City Manager of Anna, Jim Proce:

“So here’s the thing about this... 600 miles of road in poor shape!

PCI well below 50 which means rebuild everything!?!?

So if you back into the numbers and they want to invest $5,000,000 and if you just assume a 20 year life cycle... they are a sinking ship.

So follow this... Invest $5,000,000 a year X 20 years / 600 miles = $166,666/mile

Not enough... So double it... Still not enough...

Result: Epic fail”

Jim Proce, ICMA-CM, PWLF, MBA
Tough (but necessary) infrastructure questions...

- Do we really think all of this infrastructure is a good idea? Why?
- Who is going to maintain all this stuff once the developers are long gone?
- When these roads fall apart, where is the money coming from to pay for all of this?
- Has anyone costed or value engineered this to see if all this infrastructure is really necessary?
- Does the revenue this development generates pay for the ALL of the services that will be required to maintain and rebuild when needed?
- Are we putting away funds for when all this stuff falls apart?
- Are you having these conversations with your community or are you just piecemealing your CIP?
Overview – FATEful part

• Cities are going broke in spite of their growth and the way we develop is largely to blame.
• Steps you can take to create a road program that will address maintaining infrastructure aggressively.
### Sample Neighborhood in Fate

<table>
<thead>
<tr>
<th>Expenses</th>
<th>General Fund Ongoing Expenses</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Revenue</td>
<td>$114,379</td>
<td>$30,654</td>
</tr>
<tr>
<td>Property</td>
<td>$12,619</td>
<td></td>
</tr>
<tr>
<td>Franchise Sales</td>
<td>$16,003</td>
<td></td>
</tr>
</tbody>
</table>
Lafayette, LA – Net Revenue to City by Acre
Balancing Growth and Infrastructure Costs

Understanding long-term impacts of rate and pattern of growth

![Graph showing the relationship between average age of city infrastructure and population over time.](image)
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Value</td>
<td>$747,552</td>
<td>Based on the current taxable value and the current tax rate, it would take 16.77 years for the properties to repay the repairs – that is assuming all of the future tax revenues are dedicated to the replacement costs and no other city services are provided during that same period.</td>
</tr>
<tr>
<td>Tax Received</td>
<td>$ 2,176</td>
<td></td>
</tr>
<tr>
<td>Cost of Repair</td>
<td>$ 36,484</td>
<td></td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>5 to 7 yrs</td>
<td></td>
</tr>
</tbody>
</table>
Annualized Depreciation = Current Responsibility for Future Liability

$2,300,542
$2 in revenue for every $1 to serve
Development Pattern ROI

2014 Fort Worth

Agricultural
Vacant Residential
Vacant Commercial
Industrial
Commercial
Condos/Townhomes
Apartments
Single Family

Median ROI
Mean ROI

Return on Investment (ROI)

ROI in Equal Count Intervals 2014 (44104)

$0.00 - $0.20 (64978)
$0.20 - $0.59 (44088)
$0.59 - $1.00 (44088)
$1.01 - $1.83 (44088)
$1.83 - $2.00 (44088)

Courtesy of: Felix Landry, Urbex Solutions
Montarre Community Farms will be an environment where urban farmers, gardeners and farm-to-table entrepreneurs can thrive. The trend toward growing your own food will be a way of life here and because of that our residents will share a unique connection to the land and nature. Our Head Farmer will provide expert knowledge to the residents as well as unique field trip opportunities for area schools.

Private or streets maintained & replaced by PID
THE ONLY THING WORSE THAN HAVING CONGESTION

IS NOT HAVING CONGESTION

Right-size your roads when building/replacing
Create Capital Replacement Funds
Fund preventative maintenance
Implement street maintenance fees
Do projects to protect your road base
CONCLUSIONS from FATE

• Do the math on proposed developments
• Do the math on proposed capital projects
• Private or PID streets
• Right-size roads and use “road diets”
• Create capital replacement funds
• Fund preventative maintenance
• Implement street maintenance fees
• Do projects to protect your road base
let’s discuss

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