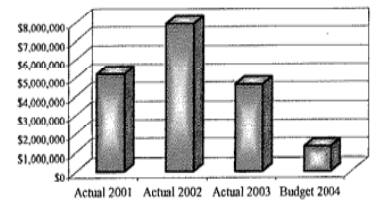


OVERALL ROAD FUNDING ISSUE

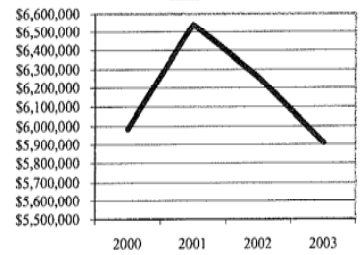
Local roads funding is not a problem unique to Rochester Hills – and in fact an estimated 140 communities currently have a dedicated roads millage. As seen in Table 1, the City of Rochester Hills has traditionally subsidized Local Road Fund operations and construction significantly – but financial limitations are now

Table 1
Total Local Road Transfer-In
(Source: City of Rochester Hills)



apparent (see Table 2) – and these subsidies will be ending.

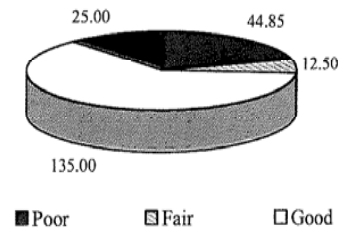
Table 2
State Shared Revenue Trends for Rochester Hills



CONDITION OF RESIDENTIAL STREETS

As seen in Table 3, it is estimated that nearly 45 miles of the local (neighborhood) street system is in poor condition. This percentage, and associated costs will grow exponentially if action is not forthcoming. The cost to upgrade poor quality roads, and institute a pre-emptive program to assure a continuing acceptable quality level on all roads, is estimated at \$58 million over ten years.

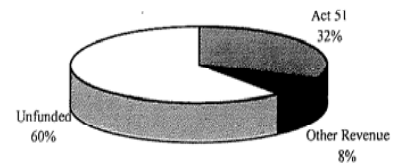
Table 3
Current Local Road Conditions in Miles
(Based on 2004 PMS Data)



FUNDING OF RESIDENTIAL STREETS

Additional funding will also be needed for the ongoing routine maintenance activities such as plowing, salting, drain cleaning, etc. Related, the City's consultants have developed a ten-year financial forecast of future revenues and expenses. As seen in Table 4, it is estimating that 60% (i.e. just over \$45 million) of needed expenditures will not have a funded source.

Table 4
Funding Sources for Local Road Operating Needs



OVERALL NEED

In summary, to satisfy both the construction, and maintenance needs of the local roads system, the City will require an additional \$103 million, for which there is no current funding source.

CONCLUSIONS

In conclusion, the City must move quickly to avert a serious, and growing problem in local streets. Summarily, the City must find the means to dedicate a level of funding to the following:

- Reconstruction of current roads that are in poor condition
- A multi-year program for addressing road maintenance needs to perpetually maintain the neighborhood streets system at a high quality level (i.e. addressing future roads needs before they become more expensive reconstructive problems)
- Ongoing routine maintenance activities.

The total costs associated with the program are estimated at \$103 million over ten years – a daunting amount that the City simply cannot afford with current millage levels and revenue collections.

From State and Federal sources, only one revenue source can be realistically anticipated: the monies provided through Act 51 State-shared revenues for local roads. We have concluded that this "foundation" must be supplemented by an additional revenue source – ideally a voted millage dedicated to local/neighborhood streets.

COMPARISON OF TAXING LEVELS

As with most communities, it can be presumed that Rochester Hills residents do not desire higher taxes. However, superior communities must assure sufficient revenues for quality services and infrastructure, if property values and quality of life are to be maintained. Related, as seen in Table 5, Rochester Hills residents enjoy one of the lowest millage levels among similar-sized cities in Southwest Michigan. Residents may wish to consider this fact when weighing the City's request for a local streets dedicated millage.

Table 5

City	Population	2002 Total City Tax Levy
Farmington Hills	82,111	11.41
Pontiac	66,337	20.12
Rochester Hills	68,825	9.37
Royal Oak	60,062	11.68
Southfield	78,296	16.85
St. Clair Shores	63,096	15.01
Taylor	65,868	23.58
Troy	80,959	10.05
Average	70,694	14.76

Source: State of Michigan, State Tax Commission

MILLAGE NEEDED

In regard to millage amounts, the total local road reconstruction and maintenance requirements would require a 10-year millage of 2.9213 mills.