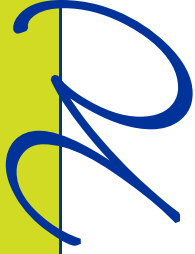




RURAL SERVICES

A Division of
FNSB Public Works



HAT TO CONSIDER WHEN

PLANNING ROAD WORK

In planning your work for the coming year, we encourage you to separate your projects (projects) from routine maintenance work (maintenance) for your annual work plans and budget. For work to be considered a project, it should have a cost greater than \$10,000 and an expected life for the improvements of more than one year. Typical examples of projects and maintenance are shown below:

Projects

- Reconditioning the road base, adding D-1 and high-float asphalt surface treatment
- Reconditioning the road base, and adding Brown's Hill surfacing
- Widening an existing road to 24' and adding surface material
- Any asphalt treatment , such as overlays or first time paving over \$10,000

Maintenance

- Snowplowing and hardpack removal
- Periodic roadside brush clearing
- Blading roads to remove potholes and washboards and to restore the crown
- Replacing old or damaged signs and posts

Separating your project from maintenance **will save you money.** (Now I have your attention!)

When a service area pays for project work from its operating account, it *actually costs more than having a project managed with quality controls by borough engineers.*

- A service area pays a fee of approximately 22% for Rural Services direct costs for all work performed under its operating account
- Project costs for borough engineers are usually less than 20% - and this includes quality control measures, like inspection, material testing and compaction testing.

When a service area performs project work under its maintenance operating budget, there are possible negative outcomes. First, the work is often developed and constructed without any engineering involvement, thus the commissioners shoulder all the responsibility for the result. Second, the service area has the potential of using up the available funding for its maintenance contract (\$20,000 per year for RFQ's and \$100,000 per year for most IFB's) on project work and cannot provide routine maintenance until new bids can be obtained for a second contract. That can take a month or more. And third, when the project construction cost is included in the maintenance operating expenses, the additional direct cost is a significant expense to the service area that could total approxi-

mately 22% of the project cost over the next five years.

There are several benefits to the service area if the work is performed instead as a project. First, you will have the involvement of Rural Services and Public Works staff for project development, design and construction observation. Second, you will not find yourself without a maintenance contract available in the fall when it is time to plow snow. Third, your project will be charged only the direct cost of project staff time and engineering, which can vary from 10% to 20% of the project construction cost depending on the project size and complexity. This cost will generally be less than the Rural Services direct charge that would otherwise apply to the project construction cost.

A trade-off for this cost savings is time. Several steps are involved in getting your project constructed.

1. Service area meeting and commission decision to proceed with the project. I suggest you do this at your first quarter meeting along with setting your FY 2010 budget and deciding on renewal of your maintenance contract.
2. Project development. We will work with you to define the scope of work for the project and develop a budget estimate. We will then draft the appropriating ordinance.
3. Assembly ordinance to appropriate funds from the service area's account to the project. This takes six weeks from the time we submit the ordinance for review until the Assembly takes action.
4. Project design and preparation of bid package. This can take a week to several months depending on the project size and complexity.
5. Bidding. This can take three weeks for a small project (RFQ) to nine weeks from completion of the bid package to the start of construction for a large project (IFB greater than \$50,000).
6. Construction. Time will vary depending on the specific project.

Simpler projects that need little design work and have a construction cost less than \$20,000 can still be started now and make this summer for construction. Larger projects will require more time and will likely not be completed until 2010. If you have work coming up that may qualify as a project, please contact me with any questions you may have and to get the process started.

Bill Gryder, P.E.
Rural Services Engineer / Manager

The Service Area Budget Process in a Nutshell

We are looking ahead on the calendar, and see that we'll be mailing proposed service area budgets to commissions in February. Of course, the budget process started this fall when your service area commission decided whether or not to participate in an election to raise

its tax cap. But we'll take a minute to explain here what your commission must consider when it receives this proposed budget.

You should immediately note that your budgeted expenditures for this next fiscal year will always equal, never exceed, your budgeted revenues. In addition to the property tax revenue under your tax cap, your service area also earns income from the interest earned on your current year's operating account and on what your service area has accumulated in its fund balance (savings) over the years. When your commission receives your service area budget, it will reflect the amount of property taxes expected to be collected in the next fiscal year, as well as an estimate of the interest your operating and fund balance accounts may earn. The interest amount on your budget is only an estimated amount, as actual interest rates in the future cannot, obviously, be predicted.

Your proposed service area budget will also reflect your expenditures; in particular, an expenditure called "Borough Direct Cost". This represents the annual cost of operating the Rural Services office, and is allocated between all the service areas based on a flat \$500 base fee per service area, plus a prorated amount of the average of service area operating expenditures over the previous five years. Therefore, your service area's operating expenditures, available for general maintenance of your roads, is the difference between your total budgeted revenues and this direct cost.

It is important that your commission share your proposed service area budget with your residents at a public meeting. Your commission can vote to approve the budget as is, or modify it to accommodate the needs of your service area. You can modify your budget, and supplement your operating expenditures, by transferring money from your fund balance. Or if your service area needs to provide a 10% match to a grant-funded capital project, or anticipates a costly future project, setting aside part of your budgeted tax revenue to make a contribution directly to your fund balance, or to a capital project account, might be a smart move.

Commissions will receive their budgets the first week of February. Budgets will be due back to Rural Services on the last day of February, February 27, 2009. This in a short turn-around time, so it is imperative you know ahead of time the time constraint, and plan your service area meetings to discuss your budget accordingly.

1st Quarter Service Area Meetings should be scheduled between February 4, 2009 and February 25, 2009

Suggested Winter Meeting Topics:

- Budget for the upcoming fiscal year
- Maintenance/construction plans for summer
- Renewal of maintenance contract

**CALL RURAL SERVICES,
AT 459-1223,
TO SCHEDULE YOUR MEETING**

MARK YOUR CALENDARS

COMMISSIONER TRAINING

**Saturday, January 17, 2009, 9:00—11:00 AM
FNSB Assembly Chambers, 809 Pioneer Road**

PLAN NOW TO ATTEND

We'll be covering important changes in the bid and budgeting process !!!