

PROPOSED BOND FOR ROAD CONSTRUCTION

Why consider bonding our road reconstruction work?

MONEY Traditionally South Berwick has funded its road improvement work entirely through annual appropriations. Since 2002 road construction costs have risen dramatically and annual appropriations have been able to accomplish fewer road construction projects. In order to maintain a 20 year road plan, the Town would (in today’s dollars) need to appropriate \$560,000 annually for maintenance, repair and reconstruction of our existing roads.

Until last year, the town has consistently expended in the \$400,000 range to provide for both routine paving as well as major rebuilds of the roads. Decreased revenue in the current budget year, combined with LD1 limitations resulted in minimal appropriations to the roads account and forced the Council to consider alternatives to financing construction projects (not regular maintenance such as shimming and paving). By bonding \$2 million dollars the Town can perform five years of construction work in two seasons, thereby saving the community a minimum of \$400,000 which would otherwise be lost to inflation.

DEPT 4855 CAPITAL IMPROVEMENTS 4250 ROADS

fiscal year	appropriated
2002	\$400,000
2003	\$400,000
2004	\$300,000
2005	\$300,000
2006	\$400,000
2007	\$450,000
2008	\$439,000
2009	\$200,000

ROAD CONSTRUCTION COSTS PAID BY THE TOWN

Calendar year	Fine grade s/y	Paving per ton	Hand paving per ton	Concrete per yard	Crushed gravel/ton	Grate & frames
2002	\$.50	\$ 28.89	\$ 80.00	\$ 47.00	\$ 4.00	\$ 175.00
2003	\$.50	\$ 28.89	\$ 80.00	\$ 48.00	\$ 4.50	\$ 195.00
2004	\$.58	\$ 33.84	\$ 91.00	\$ 49.50	\$ 5.00	\$ 235.00
2005	\$.65	\$ 36.94	\$ 94.00	\$ 52.00	\$ 6.00	\$ 256.00
2006	\$.78	\$ 49.95	\$100.00	\$ 61.00	\$ 6.50	\$ 278.00
2007	\$.92	\$ 53.50	\$110.00	\$ 84.00	\$ 6.75	\$ 325.00
2008	\$ 1.00	\$ 74.90	\$139.00	\$125.00	\$ 7.50	\$ 400.00

% increase 100% 159% 74% 166% 87.5% 128%

The table above shows an average annual increase of 20% per year in road construction related costs.

If, instead of bonding \$2 million we were to project the same rate of inflation looking forward to fund \$2 million of construction work over 5 years, a \$400,000 appropriation adjusted for inflation over five years will yield...

Fiscal Year	Estimated Bond Payment	5 years of Construction Work	Construction work adjusted for Inflation (+ 20%)
2010	90,650	\$ 400,000	\$ 400,000
2011	286,500	\$ 400,000	\$ 480,000
2012	278,100	\$ 400,000	\$ 576,000
2013	269,500	\$ 400,000	\$ 691,200
2014	260,700	\$ 400,000	\$ 829,440
2015	251,750		
2016	242,650		
2017	233,425		
2018	244,100		
2019	214,600		
2020	204,900		
Total	\$2,576,875		\$2,976,640

Total debt service on the proposed bond is estimated at \$2,576,875, the total cost of the same amount of construction work if not bonded is \$2,976,640. This bond will result in a minimum savings to the town of \$399,765.

Additional savings may be gained if Town Meeting appropriates additional funding over the bond payment amount to continue to perform maintenance. Road maintenance costs have increased on average 26.5% each year since 2002.

NEED: The Public Works Director headed a citizens committee of three road engineers including himself and a professional road contractor. Together they created an inventory of all roads, their repairs and maintenance needs over the next twenty years and prioritized the next 14 years of road work.

This bond would fund:

- \$1,000,000 to reconstruct the majority of Emery's Bridge Rd.
- \$400,000 to reconstruct Thurrell Rd and the lower portion of Great Hill Rd.
- \$250,000 to reconstruct a section of Boyd's Corner Rd.
- \$250,000 to reconstruct a section of Ogunquit Rd.
- \$100,000 to reconstruct a 1500' section of Witchtrot Rd.

The long range plan includes the construction work listed above in addition to annual appropriations. (Please see the 13 year road plan.)

The Council is presenting this option as an economical solution to funding road construction. Ultimately, the choice will be made by the citizens of South Berwick at the upcoming Special Town Meeting on Monday January 26, 2009 at 6:30 pm in the Auditorium Hall at Town Hall.