2023 Saline County Vision Plan – Service and Infrastructure

One Action within the Service and Infrastructure Key Focus Area is to program rehabilitation of County buildings and roads. A Specific Task under this Action is to report back on the potential for use of bond funding to support County infrastructure. Our Task Force, comprised of Phillip Smith-Hames, Hannah Bett, Justin Mader, and Darren Fishel, was formed to accomplish this Specific Task. Presented below is a summary of our discoveries.

Road and Bridge Infrastructure

Current Funding Sources

Road and Bridge Budget: The total 2023 budget for Road and Bridge is $8,750,079. The focus of this budget is to maintain the existing infrastructure, not to make significant improvements. There are two budget line items that may be used for road improvement projects.

1. **011-030-966010 – Gravel Road Upgrade/safety Improvements ($200,000)**: The maintenance division of the Road and Bridge Department may use this account to upgrade an earth road to gravel surfaced road or to upgrade an existing gravel surfaced road to a higher level of surface gravel road. These types of projects cost between $40k-$50k per mile. Therefore, this funding source may only be utilized for 4 miles of road each year.

2. **011-030-966016-035 – Contractual Asphalt Work ($2,700,000)**: This budget item is used to contract work on asphalt surfaced roads. Theoretically this fund could be used to upgrade existing asphalt surfaced roads. However, the entire account is needed to maintain, not improve, Saline County's asphalt road infrastructure which consists of 175 miles. Maintenance activities that utilize this fund include:

   - Hot-Mix Asphalt Overlay and Patching – 40% of the funds
   - Chip Sealing – 45%
   - Crack Sealing – 5%
   - Aggregate Shouldering – 10%

124 Account – Special Road Construction (1-mill): This special 1-mill tax levy fund provides approximately $736,000 (FY 2023) annually for the purpose of construction and reconstruction of county roads and bridges. Historically, Saline County has utilized this fund for road improvement projects. Some recent projects have included:

- Simpson Road Improvements between Magnolia Road and Crawford Street
- Cunningham Road Realignment south of Stimmel Road
- Gypsum Valley Road Improvements north of K-4 Hwy
- Kingman Road Improvements west of the Gypsum Creek bridge.

125 Account – Special Bridge Fund (2-mill): This special 2-mill tax levy fund provides approximately $1,477,000 (FY 2023) annually for the purpose of construction and reconstruction of bridges and culverts or to be used in repaying loans or advances received from the highway fund. Saline County has used these funds to for the following projects:

- Construction of Reinforced Concrete Boxes

- Construction of Reinforced Concrete Haunch Slab bridges
- Pipe lining construction
- Purchase of culvert pipes
- Purchase of construction materials for structures built by maintenance division.

127 Account –Special Highway Improvement Fund: This special fund was created for the purpose of financing specified improvement projects involving the construction or reconstruction of highways, bridges, roads and streets, the cost of which will exceed the money annually available from current revenues. The Road and Bridge Department has utilized this fund for the following:

- Deposit all FEMA reimburse payments.
- Deposit Federal Fund Exchange reimbursement payments. Then utilize this money to supplement the asphalt maintenance program.
- Finance the South Old Hwy. 81 widening and overlay project. All KDOT Cost Share reimbursement payments were deposited back into this account.
- A portion of the previous year's unspent budget is deposited into this account each year.
- Used to supplement road improvement projects funded out of the 124 Account (1-mil).

Additional Funding Sources

The Kansas Department of Transportation (KDOT) provides both state and federally funded programs for bridge and road improvement projects. All programs listed below are competitive. All federally funded programs have very strict design/construction requirements.

1. **High Risk Rural Roads (HRRR)**; 90% Federal / 10% local match
    a. Safety funds intended to improve rural roads with a history of crashes higher than the statewide average. A systemic approach for a corridor improvement may also be used.
    b. This funding was used to improve Simpson Road between Magnolia Road and Crawford Street.

2. **Transportation Alternatives (TA)**; 80% Federal / 20% local match
    a. Construction of pedestrian and bicycle facilities.

3. **Transportation Alternatives (TA): Safe Routes to Schools**; 80% Federal / 20% local match
    a. The overall purpose is to enable and encourage children, including those with disabilities, to walk and bicycle to school.

4. **Economic Development;** minimum 75% state / 25% local match
    a. Funds transportation improvements to recruit new businesses and encourage growth of existing businesses.

5. **Federal Fund Exchange (FFE);** 90% State / 10% local
    a. Program to exchange local federal obligation authority with state funds. This is a transportation reimbursement program. Saline County has exchanged our federal funds each year of the program which provides approximately $230,000 per year.
    b. R&B uses these funds to supplement our asphalt maintenance program.

6. **Special City/County Highway Funds**; 100% State

    a. Distribution of motor fuels tax by formula. Counties receive 19.17% (57% of 33.63% total fuels tax). This equates to approximately $1,250,000 for Saline County.
    b. These funds are used to supplement the Road and Bridge budget.

7. **Emergency Relief Program (ER)**; 100% Federal
    a. This program is used to supplement local authorities to help pay for unusually heavy expenses resulting from a natural disaster or other catastrophic failure from an external cause. Funds are only available when the total statewide damage from an event exceeds $700,000. Major collector routes are the only roads that qualify.
    b. ER funds was used to replace a RCB on Donmyer Road after the 2019 flooding.

8. **Off-System Bridge Program**; 100% Federal
    a. Program provides $20.5 million annually to replace county bridges (span = +20 ft) that are conditionally classified as “poor” and located on roads functionally classified as “local or minor collector”.
    b. Saline County has 1 bridge that qualifies for this program. However, this structure will be replaced with a low water crossing utilizing the KLBIP program.

9. **Kansas Local Bridge Improvement Program (KLBIP)**; 85% State / 15% local
    a. This state funded program provides funds to replace or rehabilitate locally owned, deficient bridges. This is a reimbursement program that allows counties to let projects locally. $50k is also provided to the local public authority is they close an additional bridge.
    b. The Mentor bridge east of Gypsum Valley Road and the 3 Low Water Crossing projects utilize this program.

10. **Cost Share**; minimum 85% State / 15% local
    a. Provides financial assistance to local entities for construction projects that improve safety, leverage state funds to increase total transportation investment, and help both rural and urban areas of the state improve the transportation system. This is a reimbursement program that allows counties to let projects locally.
    b. The pavement widening and overlay project on South Old Hwy 81 from Assaria Road south to I-135 utilized this program.

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL) is a $2.1 trillion ($550 billion of additional money) federal infrastructure program. 60% of the funds will be distributed through traditional formula funds while 40% will be through direct competitive grants (discretionary grants). List below is a summary of a few discretionary grants that may apply to Saline County.

1. **Safe Streets and Roads for All (SS4A)** is a program aimed at improving the safety and accessibility of transportation infrastructure for everyone. It focuses on creating a secure and reliable transportation network that accommodates the needs of all road users, including pedestrians, cyclists, and motorists. Saline County and the City of Salina was awarded a project to update Saline County’s Local Road Safety Plan and the city to develop a local safety action plan. After this project is complete, Saline County will be available to apply for the implementation grants.

2. **Rebuilding American Infrastructure Sustainability and Equitably (RAISE)** is an existing competitive grant which supports infrastructure projects that prioritize sustainability, resilience, and equity. They aim to enhance transportation systems by investing in innovative and transformative initiatives across various

modes of transportation, including roads, bridges, public transit, and rail. The grants prioritize projects that promote economic growth, improve mobility, and address environmental challenges.

3. **Rural Surface Transportation Grant** supports transportation infrastructure projects in rural areas. It provides financial assistance to local governments, tribal entities, and other eligible entities to improve and maintain rural transportation systems. The grants aim to enhance connectivity, safety, and efficiency of rural roads, bridges, and transportation networks. These funds can be used for various purposes, such as road and bridge construction, bridge repairs, safety enhancements, and upgrades to ensure reliable transportation access. The grants are intended to address the specific challenges faced by rural communities and promote economic growth in these areas by improving the quality and reliability of their transportation infrastructure.

4. **Strengthening Mobility and Revolutionizing Transportation (SMART)** is an initiative focused on transforming and enhancing transportation systems through innovation and technology. The initiative aims to promote the development and adoption of advanced technologies such as intelligent transportation systems, autonomous vehicles, electric vehicles, and smart infrastructure. It also encourages the integration of data analytics and digital platforms to optimize transportation planning, operations, and management.

   The North Central Regional Planning Commission, in collaboration with Saline County, Sedgwick County, Cloud County, and Cowley County, was awarded $1,031,730. The award is to develop a system to integrate UAV and GIS applications to build data and technology capacity and experience, thereby leading to safer and more resilient transportation assets.

Federal Emergency Management Agency (FEMA) primary purpose is to coordinate the response to a disaster that has occurred in the United States and that overwhelms the resources of local and state authorities. The governor of the state in which the disaster occurs must declare a state of emergency and formally request from the President that FEMA and the federal government respond to the disaster. Recent use of FEMA includes:

- 2019 Declaration
  - Category A (Debris Removal) – $15,741.42
  - Category B (Emergency Protective Measures) – $14,853.00
  - Category C (Road and Bridges) - $562,500.00
  - Section 428 Public Assistance Alternative Procedures - $1,030,922.50 (FEMA & KDEM)
    - Cunningham Road, Stimmel Road, and Gypsum Valley Road Realignments
    - Falun Road Bridge Replacement
    - Gypsum Valley Road and Kingman Road Resurfacing

Building Infrastructure

Current Funding Sources

As with roads and bridges, most of the funding that the County dedicates to buildings on an annual basis goes towards maintenance of existing infrastructure rather than construction of new or upgraded facilities. Generally speaking, the funding source for operating costs of a department is also responsible for paying the cost of upkeep of that department's facilities (the Road & Bridge Fund pays for the Maintenance and Engineering buildings, the General Fund pays for the City/County and Sheriff's Office buildings, the various Community Corrections funds pay for the Community Corrections space, etc.). For longer-term projects that are not typically funded within a single year's budget allocation (roof replacements or parking lot resurfacing, for example), funds are aggregated in Capital Project funds separate from the department's operating fund.

General Fund departments and Road & Bridge share the County Capital Improvements Fund; the Noxious Weed and Health Department funds have their own separate associated Capital Outlay funds; a separate Capital Improvement Fund was established to receive rent from the Caywood land and expend it on improvements for the Expo Center beyond regular maintenance at the current facility. Funding for the County, Noxious Weed and Health Department CIP funds is amassed by transfers into those funds from their associated operating funds – either planned and budgeted transfers or transfers of unspent funds at the end of each fiscal year as authorized by an end-of-year Resolution from the County Commission. Funds held within the Capital Project funds could be used either for maintenance (e.g., roof replacement) or for construction of new buildings or additions. However, amassing sufficient funds for a new building from saving up unspent operating funds can require several years (and the luck of nothing else failing in the meantime).

Additional Funding Sources

Private Foundation Grants: While most grantors are loath to provide funds for public buildings, certain "heart-stirring" functions such as the Senior Center or the Sheriff's Mounted Patrol can be attractive to private foundations. The Senior Center has used the approach of aggressive grant-seeking (along with matching funds from the County CIP) to make needed upgrades to the Historic Courthouse, but this process requires multiple years of dedication to find appropriate foundations and align projects with their grant cycles. Although the Expo Center has attempted this approach, they have met with less success than the Senior Center.

Inflation Reduction Act: This federal legislation focuses on climate adaptation and has provisions that can be used for clean energy generation (i.e., installation of wind or solar generation on County facilities) as well as electric vehicle infrastructure (installation of charging stations in County parking lots). For homeowners and for-profit businesses, these provisions are provided via tax credits. However, non-profit organizations (including local governments) that do not typically file federal income tax returns can access actual cash payments for these improvements. The IRS has recently released proposed regulations on how these payments are to be distributed, and these regulations are currently in a public comment and review period.

Public Building Commission: Kansas law allows cities and counties to create a legally separate entity to issue debt for the construction of public buildings, with that debt being repaid through a binding lease obligation on the public entity for which the building was constructed. The debt is a revenue bond of the Public Building Commission (further discussed below in the section on bonding). Saline County created a Public Building Commission in 2020 and can use that entity to construct additional buildings or make improvements to existing buildings. The only project undertaken by the Public Building Commission so far has been the upgraded radio system, with the debt being secured by the two radio tower sites. From a County financial perspective, the thing to keep in mind is that the County is obligated to annually appropriate the payment for the lease obligation to the Public Building Commission.

Bonding

Since infrastructure is typically designed to last for multiple generations, economists say that it is fairer for the payments for that infrastructure to be borne by the people who will use it during its useful life (i.e., the future) rather than those who have paid taxes in the past. The methodology for this to occur is to issue bonds (a debt instrument) and make annual payments for the principal and interest costs of repaying those bonds. Because local governments are typically viewed as stable entities, the interest cost on bonds is usually lower for a county than for a private business or a consumer debt instrument such as a mortgage. In addition, interest payments to bondholders of certain types of county-issued bonds are not subject to federal income tax, which further drives down the interest rates on those types of bonds.

Bonds issued by county governments are generally one of two types: revenue bonds or general obligation bonds. Revenue bonds are secured by a stream of income (such as user charges for a facility), while general obligation bonds are secured by the "full faith and credit" of the issuing government and carry with them an obligation to levy taxes, to the extent necessary, for repayment of the bonds. Because revenue bonds are viewed as slightly less secure (a facility may fail to generate its forecasted revenue, for example), interest rates are generally lower on general obligation issues. However, in Kansas, state statutes restrict the ability of counties to issue general obligation bonds in a couple of key ways.

First, the basic rule is that general obligation bonds may be issued only with the approval of voters. There are some exceptions to this rule (see below for examples), but for many instances an election is required. Second, counties are limited in the amount of general obligation debt they can issue. Typically, a county can only have 3% of its assessed valuation outstanding in bonded indebtedness at any given time. It should be noted that the valuation for this calculation includes motor vehicle valuation, so it is higher than the valuation used for calculation of mill levies in the annual budget. For Saline County, with a current valuation approaching $764 million, this would mean a limitation of just under $23 million in outstanding general obligation debt. While this seems like a lot of money, county infrastructure can easily run into the tens of millions of dollars in cost of construction. Thus, there are numerous exceptions to this bonded indebtedness limitation found in statute.

Roads & Bridges

Kansas counties commonly authorize the issuance of general obligation bonds for road and bridge projects pursuant to K.S.A. 68-584 or K.S.A. 68-1103. The procedural requirements to issue bonds under each statute are different, and also differ by specific project type (i.e., road improvements vs. bridge improvements). Mitch Walter of Gilmore & Bell provided a brief explanation of the required procedural steps and additional considerations in authorizing bonds under each statute, which are summarized below.

1. **K.S.A 68-548 Secondary arterial highways; issuance of bonds to pay costs; election:** Provides authority for a county to issue bonds to carry out any street, road, or highway project. These bonds do NOT count against a county's bonded indebtedness limitation, and bonds up to ½% of the county's assessed valuation (about $3.8 million for Saline County) can be issued without an election (subject to a protest petition). However, the total amount of bonds outstanding under this statute cannot exceed 2% of the assessed valuation ($15.25 million) without a referendum. This statute is considered non-uniform and subject to Charter Resolution under a county's home rule authority. Therefore, several counties have used this process to remove the referendum requirements for the issuance of bonds.

2. **K.S.A 68-1103 County roads, bridges and culverts; construction and repair; costs, financing:** Grants counties the authority to construct or repair unsafe or inadequate roads, bridges, or culverts to meet current traffic demands.
    a. For <u>bridge or culvert projects</u>, the county can issue bonds by adopting a resolution without any notice or protest requirements. These bonds do NOT count against the bonded indebtedness limitation.
    b. For <u>road construction projects</u>, the county must adopt a similar resolution and publish it in the official county newspaper once a week for three consecutive weeks. If within 60 days of the last publication, a protest petition signed by at least 5% of the county voters is filed, the issuance of bonds requires an election for approval. These bonds DO count against the bonded indebtedness limitation.

Buildings

To issue bonds for buildings without an election, counties typically use a Public Building Commission. As discussed above, this involves issuance of revenue bonds by the Public Building Commission (a legally separate entity) and a binding lease between the Public Building Commission and the county. The Public Building Commission has a leasehold interest or actual title to the building until the bonds are paid off and clear title is vested in the county. Because PBC bonds are supported by a binding lease obligation, they are viewed by the financial markets as slightly more secure than traditional revenue bonds but slightly less secure than general obligation bonds. Thus, they typically have a higher interest rate than general obligation bonds. This is one reason Saline County chose to go to a public vote for the jail project but not for the radio project (the interest rate differential on a $89 million issuance is significant enough to justify the cost of an election, while the difference on a $6.5 million issue is not).

Potential Projects for Bonding

Some examples of county infrastructure projects that can be financed through bonds include:

Road Improvements:

1. Niles Road (County Club Road to Old Hwy 40) Upgrade - $4,000,000
2. Crawford and Burma Road Intersection Improvements - $1,500,000
3. Water Well Road (Scanlan Avenue to I-135) Upgrade - $2,000,000
4. Cloud Street (Holmes to Simpson Road) Upgrade - $1,500,000
5. Smoky Hill River Channel Improvements along Mentor Road - $2,500,000
6. Smoky Hill River Channel Improvements along Donmyer Road - $1,500,000
7. Saline River Channel Stabilization along Gerard Road - $1,500,000

Buildings:

1. New Health Department - $12,400,000
2. Remodeling of Current Jail - $9,500,000
3. Expansion of City/County Building - $7,000,000 (this would require negotiations with Building Authority)

The current estimated cost of repayment of general obligation bonds (based on a 10-year repayment cycle) is $124,450 per million dollars bonded.