

PAVING PRESERVATION PROGRAM PROPOSAL PUBLIC WORKS

BACKGROUND

As part of the FY25-26 goal setting process, City Council expressed consensus for the purchase of a paver (and potentially additional necessary equipment) to establish an in-house paving program with the intent of generating enough savings to be able to complete more paving projects citywide. Staff had expressed initial concern with establishing such a program based on conversations with Lebanon and Albany and their own capacity problems with bringing paving in-house.

Following the 3/25 Work Session, staff contacted 52 cities and two counties across Oregon to inquire about their approaches to road maintenance and received 21 responses.

This report contains an overview of the current Transportation Fund and current network condition, analysis of what would be required to establish an in-house paving program, a summary of the benchmarking responses, and staff's recommendations for future programming.

TRANSPORTATION FUND

The Transportation Fund is currently funded primarily through State Gas Tax revenues. The current state rate is \$0.40 per gallon and revenues are disbursed monthly to cities on a per capita basis. The City of Sweet Home does not currently have a Local Gas Tax, which would require a vote by residents to implement. The State Gas Tax generates approximately \$800,000 annually; over \$500,000 of the annual budget currently funds wages, retirements, and other employee benefits within Public Works. This covers four (4) full-time employees and a portion of five (5) executive, managerial, and administrative support roles (20-25%). The proposed FY 2025-2026 budget anticipates \$814,000 in State Gas Tax revenues, with \$535,000 in personal services expenditures (wages and benefits), leaving \$279,000 for projects and all other program costs.

Currently, the remainder of the revenue is typically utilized towards doing small patching jobs, filling potholes, and performing street repairs following water, sewer, and storm water issues. There are also program costs for uniforms, training, professional services, support services, equipment, materials, and other line items.

ROAD CONDITIONS

Staff completed a street condition survey in 2024 which analyzed 634 sections of City-owned streets and rated them on a scale of 1-5, with 1 being the best condition and 5 being the worst. 413 of the 634 (65%) sections fall into the fair-to-good range, which means the vast majority can be preserved with crack sealing and other low-cost applications to prolong their durability and delay the need for more extensive paving or reconstruction.

PAVING PROGRAM ANALYSIS

Staff investigated the requirements to establish a paving program, which are outlined below.

Staffing

The vast majority of current streets work is to address small patching jobs, including after underground infrastructure needs to be repaired. Cities with paving programs recommended a crew

of 5-7 operators. Because line breaks are both common and unpredictable, it is not advisable to move all four of the currently funded employees to a paving job in case of emergency.

Management recommends hiring a minimum of three additional Municipal Maintenance Workers at a cost of approximately \$273,000 annually, bringing personnel costs to approximately \$808,000 against a projected State Gas Tax revenue of \$814,000, leaving \$6,000 remaining for all other annual program costs. While there is currently a healthy fund balance, that will be spent down quickly to offset other projects, equipment, professional services, materials, etc.

It was also suggested that temporary labor could be utilized to minimize personnel costs, since the local paving season is short. Conversations with other cities have revealed challenges in recruiting temporary labor with skills adequate to perform paving projects well. However, assuming recruitment would *not* be a challenge, three temporary workers could be utilized for approximately four months at a cost of \$42,000 annually which would leave significantly more for potential projects.

Either scenario would require training in order for paving jobs to be completed well the first time and to remain in good condition long-term, which is currently an unknown cost.

Equipment

At the very minimum, a paver, roller, a specialized trailer to transport both, and a minimum of one dump truck would be required.

Some jurisdictions with recent purchases were able to provide equipment costs. The City does not currently own a paver and a recent quote put this cost at \$450,000 and approximately \$32,000 in M&R required annually.

The City currently has a small roller but it is not ideal for full, large-scale paving projects. Purchase of a new, large roller is estimated at \$140,000 and approximately \$9,400 for M&R. Rental of a similar roller is approximately \$2,100 weekly.

A new trailer that could accommodate both the paver and roller would cost approximately \$44,000 with \$2,200 annually for M&R. If only a paver were purchased, a trailer to accommodate it would cost approximately \$33,000 with the same M&R. All four main local rental companies did not have trailers alone available for rental so rental costs cannot be provided, but rental of the equipment will include trailer transport costs to a single project site.

A new 12-yard dump truck would cost approximately \$275,000 new with \$38,000 for M&R. Rental is approximately \$2,900 weekly. Multiple trucks may be needed, but only one is included for purposes of this cost scenario.

All new equipment scenario: **\$909,000** up front; **\$81,600** annually to be programmed for M&R. This exceeds the annual anticipated revenue for the Fund without accounting for any other program costs.

New paver and rented equipment scenario: **\$483,000** up front; **\$5,000** per week for rentals (unable to estimate total costs since length of project varies); **\$34,200** annually to be programmed for M&R. The purchase alone combined with *current* projected wages overspends the projected State Gas Tax revenues by \$186,000, which does not even account for additional FTEs, temporary workers, or project costs.

BENCHMARKING SUMMARY

Below is a high-level summary of key information from the 21 respondents, ranging from populations of approximately 5,700 to 631,000:

- 4 municipalities perform in-house paving (Portland, Benton County, Medford, the Dalles)
 - Only the Dalles performs large paving projects in-house – all others contract out
 - Medford is planning to move all paving to contractors next year
 - 3 of the 4 have supplemental funding sources (Portland, Medford, the Dalles)
 - The Dalles supplements \$750,000 annually from the General Fund in addition to a local 3-cent gas tax
- 10 municipalities overall have additional funding sources (Local Gas Tax, utility fees, etc.)
- Majority of in-house programming focuses on small, localized preservation techniques rather than paving (crack seal, slurry seal, pothole repair, patching)
- **Common themes when discussing bringing paving in-house:**
 - Poor return on investment (ROI) for small cities
 - Not enough funding left over after equipment and staffing to perform projects, or enough projects to maintain skill level
 - Difficulty recruiting workers with existing skillset (especially competing with the private sector)
 - State gas tax alone is not sufficient to sustain a full paving program

ALTERNATE RECOMMENDATION

Based on the data received from other municipalities and an assessment of existing resources, staff recommends establishing an in-house **Pavement Preservation Program**. A common best practice is to ensure roads that are in fair to good condition receive ongoing treatments to prolong their condition before deteriorating to the point where more costly applications are necessary.

Staff is proposing the implementation of a six-week preservation program to focus on crack sealing applications citywide. This can be accomplished through rental of equipment, acquisition of material, and existing staff totaling approximately \$61,000 annually. The program will address 25-35% of the local road network that is in fair to good condition (1-3), with the goal of addressing that portion of the network on a 3-4 year cycle. **To summarize, this program will preserve up to 65% of the current network condition over 3-4 years.** While streets will deteriorate over time, a regular application of crack seal and other light treatments will preserve the overall network condition long-term.

| Line Item | Cost |
|---------------------|--------------------|
| Staffing (existing) | \$42,819.18 |
| Equipment Rental | \$9,050.66 |
| Materials | \$8,775.00 |
| ANNUAL TOTAL | \$60,644.84 |

This program will not supplant existing operations, but rather be added to the workload of current patches, repairs, pothole fills, etc. This will also preserve significant funding that can be saved for larger, more complex paving projects. Ideally, staff would also like approval to purchase a larger hotbox so that more asphalt can be applied at one time for patching jobs (~\$70,000).

Staff will also continue to work with other cities who have offered guidance on the establishment of a paving program, as well as investigate cost-sharing agreements. City Council may also consider additional funding sources, such as a Local Gas Tax or utility fee, to supplement the Transportation Fund and support a more robust paving program in the future.