



MEMO

TO: President and Members of Town Council
FROM: Town Manager
SUBJECT: Local Option Revenue
DATE: June 6, 2016

Background

Local road funding was a major topic of the 2016 session of the Indiana General Assembly. At the conclusion of this session, many Indiana municipalities will have the option to levy new taxes in order to pay for infrastructure. If a jurisdiction has a population greater than 10,000 and is in a county that does not currently levy the excise surtax and wheel tax, the jurisdiction now has the authority to locally levy these taxes. The State mandates a range of \$7.50 - \$25.00 and \$5.00 - \$40.00 for the excise surtax and wheel tax, respectively. The State will require the adoption of both – jurisdictions will not have the ability to choose one or the other. Surtax eligible vehicles include: light trucks (11,000 lbs. or lower), motorcycles, and passenger motor vehicles. Wheel tax eligible vehicles include: buses, farm trucks and tractors, semi-tractors, trailers, heavy trucks, and semi-trailers.

Methodology

The Indiana Association of Cities and Towns has provided a list of potentially affected vehicles that the Bureau of Motor Vehicles provided. In the table below, staff has outlined the potential range of financial impact to the Town. These taxes will be administered by the Indiana Bureau of Motor Vehicles.

| | Minimum | Maximum | Total Affected Units | Potential Range | |
|-----------|---------|----------|-------------------------|-----------------|---------------|
| Surtax | \$ 7.50 | \$ 25.00 | 19,538 | \$ 146,535.00 | \$ 488,450.00 |
| Wheel Tax | \$ 5.00 | \$ 40.00 | 1,021 | \$ 5,105.00 | \$ 40,840.00 |
| | | | TOTAL | \$ 151,640.00 | \$ 529,290.00 |

Municipalities will be required to have an INDOT-approved Asset Management Plan in order to be eligible for this revenue opportunity. Council approved this work to begin through SHE Engineering at the May 2nd meeting. We have had crews evaluate every road in Town in accordance with the Indiana local Technical Assistance Program (LTAP) Pavement Surface Evaluation Rating system (PASER). This is an INDOT-approved methodology. The deliverable from SEH will be a database of the current condition of every street in Town, the proposed fix for its current condition, and an estimated cost for that fix. We have sent our employees to



training for PASER evaluation so that this evaluation will be a “living document” that we will update on an annual basis for budgeting and work planning.

A copy of this document is included in the agenda under “Reports”. Per the report our current known inventory of need is \$20,832,345.39. The average condition rating on a scale of 1 to 10 is a 5. The Town of Munster could make significant progress by coupling the maximum levy for the wheel and surtax with our annual General Obligation bond funds. It is far more cost effective to routinely maintain roads that are in good condition, than it is to rebuild failed roads. As we bend our average rating higher, we will ultimately spend less annually. This is a long-term and ambitious project that reflects the professional and business-like manner with which the Town of Munster has traditionally approached issues of equal magnitude.

It is unknown how the BMV and INDOT will coordinate to ensure that municipalities are compliant. Nor is it known how often disbursements will be made to municipalities. Our partners at Barnes and Thornburg will be working through implementation on this to ensure our compliance as these items are resolved at the executive-level.

To be eligible for this revenue in 2017, the Town must both adopt this enabling ordinance and complete its INDOT-approved asset management plan before July 1, 2016. We are on track to accomplish this if the Council so desires.

Recommendation:

By motion and voice vote, consider Ordinance 1682 on first reading, enabling the collection of local option of both the excise surtax and wheel tax, and set second reading and possible adoption for June 20, 2016.

ORDINANCE 1682

ORDINANCE ESTABLISHING CIVIL TOWN OF MUNSTER MOTOR VEHICLE EXCISE SURTAX AND CIVIL TOWN OF MUNSTER WHEEL TAX

WHEREAS, Over the course of recent years, Town of Munster has experienced a substantial reduction in funding from the State of Indiana for use in maintaining Town roads and highways; and

WHEREAS, As a result of the dramatic decrease in State funding, Town of Munster has experienced great difficulties in paying for the costs of properly maintaining the Town's roads and highways; and

WHEREAS, State statutes now allow towns with populations greater than 10,000 that are in a county that currently does not levy a county motor vehicle surtax tax and wheel tax the authority to impose a local motor vehicle excise surtax and wheel tax to serve as an exclusive local funding source to help cover the costs of maintaining local roads and highways; and

WHEREAS, The County of Lake, Indiana does not currently levy a motor vehicle surtax or wheel tax and Town of Munster has a population of 23,270 according to the U.S. Census Bureau; and

WHEREAS, After due consideration, Town of Munster Town Council believes that it is reasonable and necessary to adopt this Ordinance to establish the Town of Munster Motor Vehicle Excise Surtax and the Town of Munster Wheel Tax to generate additional monies to help cover the costs of maintaining Town of Munster roads and highways; now, therefore, be it

ORDAINED, By the Town of Munster Town Council in consideration of the above and foregoing, as follows.

1. Town of Munster hereby **ADOPTS AND IMPOSES** the motor vehicle excise surtax, which shall apply to the following vehicles registered in Munster, Indiana:
 - (A) Passenger vehicles
 - (B) Motorcycles.
 - (C) Trucks with a declared gross weight that does not exceed eleven thousand (11,000) pounds.
 - (D) Motor-driven cycles.
2. The motor vehicle surtax to be imposed shall be at the rate of twenty-five dollars (\$25.00) per vehicle described in paragraph 1 above.
3. Town of Munster further **ADOPTS AND IMPOSES** the wheel tax, which shall apply to the following vehicles registered in Munster, Indiana:
 - (A) Buses;
 - (B) Recreational vehicles;
 - (C) Trailers and semitrailers;
 - (D) Tractors; and
 - (E) Trucks
4. The following vehicles are exempt from the wheel tax established by this Ordinance:
 - (A) Vehicles owned by the State of Indiana;
 - (B) Vehicles owned by a state agency of the State of Indiana;
 - (C) Vehicles owned by a political subdivision of the State of Indiana;
 - (D) Vehicles subject to the motor vehicle excise surtax imposed by this Ordinance;
 - (E) Buses owned and operated by a religious or non-profit youth organization and used to haul persons to religious services or for the benefit of their members;

5. The wheel tax to be imposed shall be at the following rates:
 - (A) For buses: \$40 per bus.
 - (B) For recreational vehicles: \$40 per vehicle.
 - (C) For semitrailers: \$40 per semitrailer.
 - (D) For tractors: \$40 per tractor.
 - (E) For trailers: \$40 per trailer.
 - (F) For trucks: \$40 per truck.
6. The Indiana Bureau of Motor Vehicles shall collect the county (local?) motor vehicle excise surtax and the county (local?) wheel tax by and through its established procedures on behalf of Town of Munster. The Indiana Bureau of Motor Vehicles shall be entitled to assess a service fee for assisting Town of Munster in collection of these taxes.
7. The Munster Town Council shall review the rates hereby established for the Town of Munster Motor Vehicle Excise Surtax and the Town of Munster Wheel Tax within five (5) years from the date of passage.
8. Upon passage, the Clerk-Treasurer of the Town of Munster is directed to send a copy of the final version of the Ordinance to the Commissioner of the Indiana Bureau of Motor Vehicles, 100 N. Senate Avenue, Indianapolis, Indiana 46204.

ADOPTED and PASSED this _____ day of June, 2016, by a vote of _____ in favor and _____ opposed.

**TOWN COUNCIL OF THE TOWN OF
MUNSTER, LAKE COUNTY, INDIANA**

John P. Reed, President

ATTEST:

David F. Shafer, Clerk-Treasurer