



Alternative Revenue Sources

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Background

- Levy Limits: Implemented in 2005
 - ✓ Limits levy growth to Net New Construction
 - ✓ Debt Payments outside Levy Limits
- Fee Restrictions: Cover service fee increases since 2013
 - ✓ Garbage collection (excludes recycling)
 - ✓ Snow plowing
 - ✓ Stormwater management
 - ✓ Street sweeping
 - ✓ Fire protection (excludes general fire protection fee to water bills)



Alternative revenue sources: WI municipalities

- Naming rights/sponsorship/advertising
- Storm water, street light utility
- Urban forestry special charge
- Transportation utility
- Wheel tax
- Special assessments
- Impact fees



Naming rights, sponsorships & advertising

- Not likely to be “cash cows” unless high-profile community or facility
- Used for newsletters, website, brochures, athletic fields, parks/play grounds, special facilities (gazebos, theaters, etc.)
- First Amendment Right concerns – *Joe’s Exotic Dancers*
- Community group, family & neighborhood identity concerns



Stormwater utilities

Fairly new, only 122 statewide

- ✓ Typically based on impervious surfaces - single family home's impervious surface considered the “standard” unit or ERU
- ✓ Non-residential impervious surfaces are divided by ERU to determine their # of units
- ✓ Captures tax-exempt properties, shifts cost from residential
- ✓ 2019 fees range from \$11/ERU (*Town of Lawrence*) to \$175/ERU (*Appleton*)
- ✓ Average Fee \$63.42/ERU



Stormwater utilities (continued)

- Negative Levy Limit implication concerns – a covered service, but limited to 2013 levy support

| | 2013 Budget | 2021 Budget | Levy Limit Adjustment |
|----------------------------|-------------|-------------|-----------------------|
| <u>Revenues</u> | | | |
| Tax Levy | \$ 100,000 | \$ - | |
| Stormwater Utility Fee | \$ - | \$ 125,000 | (\$100,000) |
| Total | \$ 100,000 | \$ 125,000 | |
| | | | |
| <u>Expenditures</u> | | | |
| Stormwater | \$ 100,000 | \$ 125,000 | |
| Total | \$ 100,000 | \$ 125,000 | |



Stormwater utilities (continued)

- When Levy Limit removed, can increase fee without further reductions
- Review stormwater needs to determine if greatly exceeding 2013 levy support
- Review Stormwater fee to insure it's capturing ALL eligible expenses
 - Conduct cost of service study



Stormwater utilities (eligible expenses)

- Eligible services example:
 - ✓ Leaf collection
- Direct AND indirect costs
 - ✓ Equipment rental
 - ✓ Employee benefits
 - ✓ Overhead
 - ✓ Administration



Streetlight utilities

- Relatively new to Wisconsin – 2005 Rice Lake, very few in state
- Based on:
 - ✓ Flat per unit – Residential = 1 Unit / Non-Residential = 2 Units
 - ✓ Flat residential & Non-Residential based on linear front footage
- Captures tax-exempt properties, shifts cost from residential
- No Levy Limit implications – not a covered service
- Make sure fee covers direct & indirect costs



Urban forestry special charge

- Only known = City of Madison (2015)
- Covers cost for:
 - ✓ Street tree planting - new & replacement
 - ✓ Street tree trimming
 - ✓ Emerald Ash Borer
 - ✓ Staff time
 - ✓ Equipment



Urban forestry special charge (continued)

- Captures tax-exempt properties, shifts some cost from residential
- No Levy Limit implications – not a covered service
- Based on total linear frontage by land use category:

| | |
|-----------------------------------|--|
| Residential (single & two-family) | Governmental (City, State, Federal, School) |
| Multi-Family (>3 units) | Undeveloped/stormwater only |
| Commercial/industrial | Private medians/cul-de-sacs |



Urban forestry special charge (continued)

- Percentage of each category's total linear frontage is its share of the total budget

$$\frac{\text{Total percentage per category}}{\text{Category's number of parcels}} = \text{Per parcel fee}$$



Urban forestry special charge (continued)

Example:

| Urban Forestry Budget | \$ 1,000,000 | | | | | |
|--------------------------|----------------|----------------|---------------------------|----------------|-----------------|----------------|
| | Residential | Multi-Family | Commercial/ Industrial | Government | Undeveloped | Private |
| Frontage | 100,000,000 | 25,000,000 | 75,000,000 | 250,000 | 500,000 | 25,000 |
| % of Total | 49.8% | 12.5% | 37.4% | 0.1% | 0.2% | 0.0% |
| # of Parcels | 150,000 | 25,000 | 10,000 | 150 | 200 | 100 |
| Per Parcel Charge | \$ 3.32 | \$ 4.98 | \$ 37.36 | \$ 8.30 | \$ 12.45 | \$ 1.25 |

Make sure charge covers direct and indirect costs.



Transportation utilities

History:

- ✓ Fort Collins, CO established first Transportation Utility - 1984 (discontinued 3-years later)
- ✓ LaGrange, OR thereafter
- ✓ Relatively new in United States, primarily in Oregon
- ✓ Others considering



Transportation utilities (continued)

Use in Wisconsin:

- ✓ City of Neenah (2019)
 - Neenah's Transportation Assessment Replacement Fee
- ✓ Town of Buchanan (2019)
- ✓ Village of Harrison (2019)
- ✓ City of Oconomowoc & North Fond du Lac (attempted)
- ✓ Others considering



Authority to create a transportation utility

- No direct Statute to establish Transportation Utility in WI
- Creation of Transportation Utility linked to Home Rule Authority, whereby municipalities have the authority to act:
 - ✓ For the good order of the City
 - ✓ For a commercial benefit
 - ✓ For health, safety and welfare
 - ✓ To carry out power by appropriation, or by other necessary/ convenient means



Authority to create a transportation utility

Formally the means municipalities relied on to create stormwater utilities...

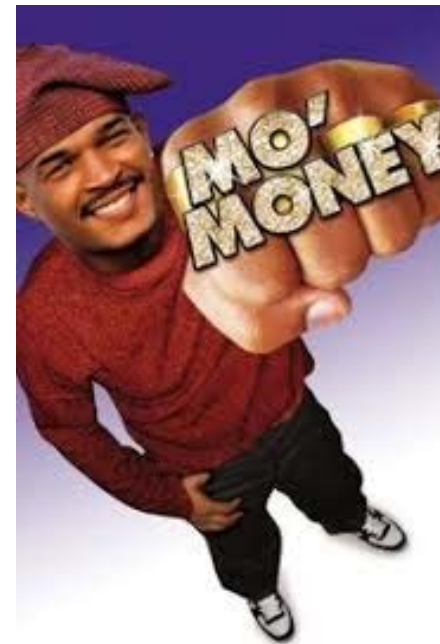
...this has not YET been tested in Wisconsin



Why consider?

It's an alternative revenue source!

- Ability to increase fees beyond net new construction increase
- Not a covered service under levy limits...yet





Why else would you consider?

- Look at demographics:
 - ✓ Heavy retail center or major TRIP generating facilities that draws traffic from surrounding municipalities
 - ✓ Significant tax-exempt presence
 - Schools, churches, government operations
 - ✓ Heavy trucking operations putting stress on roadways



How does a transportation utility work?

- Equates municipality's transportation network to utility such as water, sewer or stormwater
- User rates collected fund transportation system operations:
 - ✓ Operations costs
 - ✓ Capital (including debt service)
- Generally based on TRIP Generation (measure of system usage)
- Not all based on (Neenah based on ERUs)



How does a transportation utility work?

- *TRIP Generation Manual* (Institute of Transportation Engineers)
- TRIP = any time a car enters or leaves a driveway
- Different land use types have different TRIP generation rates



TRIP generation

Trip-generation Categories and Rate Estimates

| ITE Land-Use Code | Description | MPROP Land-Use Categories Assigned to ITE Code | Independent Variable Unit | Average Daily Trip Rate per Independent Variable | | |
|-------------------|--------------------------------|--|----------------------------------|--|--------------------|---------------------|
| | | | | Weekday | Saturday | Sunday |
| 10 | Waterport/Terminal | 4449-4499 | Acres | 11.93 | 11.93* | 11.93* |
| 21 | Commercial Airport | 4500-4581 | Flights | 104.73 [†] | 98.46 [†] | 119.61 [†] |
| 22 | General Aviation Airport | 4500-4581 | Flights | 1.97 [†] | 1.98 [†] | 1.87 [†] |
| 30 | Truck Terminal | 4000-4013, 4173-4214, 4230-4231, 4432, 4731-4783 | Acres | 81.90 | 17.28 | 10.79 |
| 90 | Park-and-Ride with Bus Service | 4111-4151, 4789, 7521-7525 | Acres | 372.32 | 74.46 [†] | 74.46 [†] |
| 110 | General Light Industrial | 2679-2791, 3089-3229, 3648-3694, 3824-3993 | Gross Floor Area (1,000's Sq Ft) | 6.97 | 1.32 | 0.68 |
| 120 | General Heavy Industrial | 4910-4953 | Acres | 6.75 | 6.75* | 6.75* |
| 130 | Industrial Park | 7711 | Gross Floor Area (1,000's Sq Ft) | 6.96 | 2.49 | 0.73 |

Source: ITE Trip Generation Manual, 2003. Average Day Trip generation.



Trip generation

| ITE Land-Use Code | Description | MPROP Land-Use Categories Assigned to ITE Code | Independent Variable Unit | Average Daily Trip Rate per Independent Variable | | |
|-------------------|--------------------------------|--|----------------------------------|--|----------|--------|
| | | | | Weekday | Saturday | Sunday |
| 140 | Manufacturing | 1442-2677, 2796-3083, 3241-3646, 3711-3823 | Gross Floor Area (1,000's Sq Ft) | 3.82 | 1.49 | 0.62 |
| 150 | Warehousing | 3999, 4221-4226 | Gross Floor Area (1,000's Sq Ft) | 4.96 | 1.22 | 0.79 |
| 210 | Single-Family Detached Housing | 8810 | Dwelling Units | 9.57 | 10.10 | 8.78 |
| 220 | Apartment | 8830-8850, 8888-8899 | Dwelling Units | 6.72 | 6.39 | 5.86 |

Source: ITE Trip Generation Manual, 2003. Average Day Trip-generation.



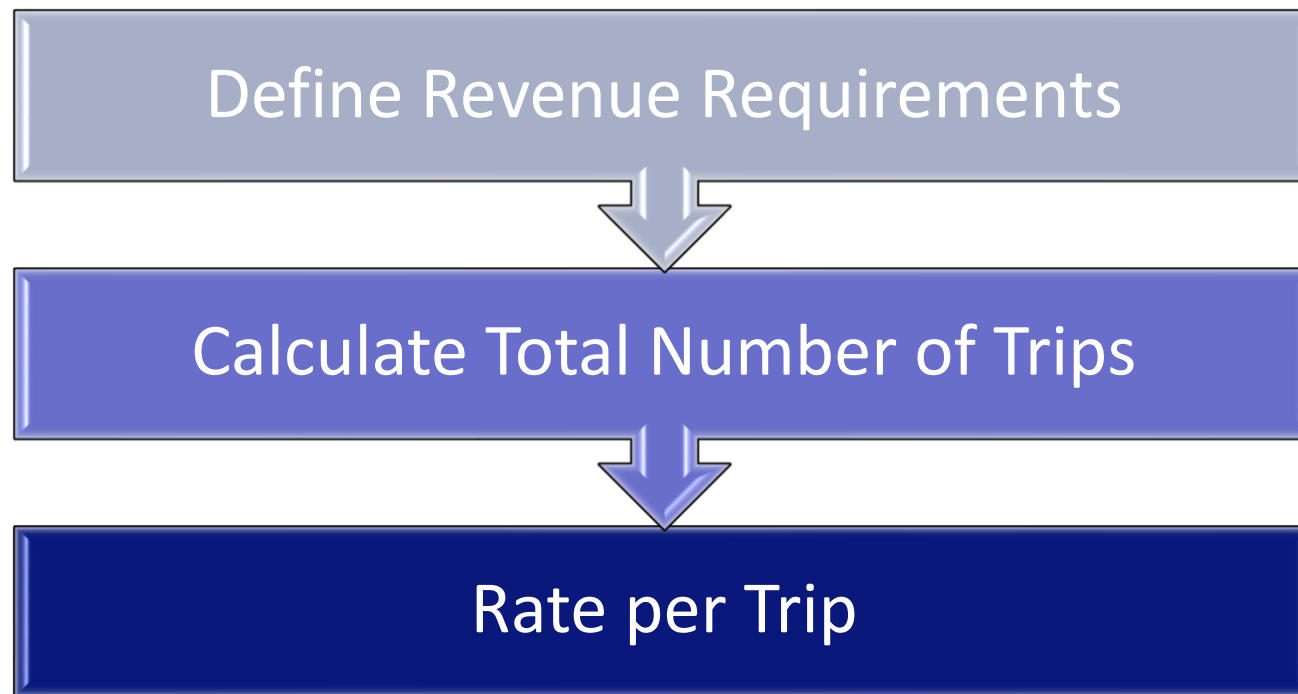
Trip generation: Defining customer classes & base

Many possibilities based on fairness vs. ease of administration

| Class | Base | Conditions |
|--|--|---|
| Single-family residential | 9.57 trips per day | Applies to all SF residences |
| Multi-family residential | Avg of apartments, condos | Number of trips per day applies to all MF housing |
| Non-residential <ul style="list-style-type: none">➤ Commercial➤ Industrial➤ Public | Square footage, number of employees, other applicable data determines total number of Trips. | |



Transportation utility rate setting





Transportation utility rate setting

- Residential & multi-family
 - ✓ Flat rate per unit based on average number of trips by land use type
- Non-residential
 - ✓ Rate per Trip x Number of Trips generated by each type of property = Annual bill for each property



Confused yet?...





Issues to consider: User Charges

Global rate setting principals: Rates should be...

- ✓ Cost-based & equitable, set so they meet utility's full revenue requirements
- ✓ Easy to understand & administer
- ✓ Compliant with principles of cost-causation (those who cause costs pay costs)
- ✓ Stable in ability to provide adequate revenues to meet utility's financial, operating and regulatory requirements AND in customer's perception year-to-year rates

Source: American Water Works Association Cost of Service Rate Making Participant Manual, 2006.



Issues to consider: User charges (continued)

Helping customers understand...

- Metered water usage = easy
- Equivalent Runoff Unit (ERU) = harder
 - ✓ What is impervious surface area? Does pervious surface area also generate runoff?
 - ✓ My house doesn't generate any stormwater runoff!
 - ✓ Sometimes easier to understand concept (and implement) when it floods



Issues to consider: User charges (continued)

Helping customers understand...

- TRIP = hardest
 - ✓ Complex concept, sometimes difficult to explain simply
 - ✓ Can seem subjective
 - ✓ Historically funded by property taxes!



Wheel tax

- Process & Impact:
 - ✓ City passes resolution enacting the wheel tax
 - submitted to WisDOT along with formal application
 - ✓ 90-day lag between formal application and when revenues collected. If Council action is part budget process, then full year of revenue won't be received.
 - ✓ Funds are distributed monthly, into account designated on application.
 - ✓ Tax continues in perpetuity unless another resolution ends it.



Special assessments

- Statute 66.0703 allows municipalities to levy special assessments upon benefitting property owners
- Commonly used for street, alley, water, sewer projects
- Engineer's Report stating costs, benefitting property (assessment roll), method for levying special assessment and assessment per property
- Consider special assessment policy if one is not in place to maintain continuity between projects and assessment practices



Impact fees

Statute 66.0617: One time fee imposed on new development designed to recover the proportionate share of new, improved or expanded capital costs needed to serve new growth.

- Water facilities
- Sewer facilities
- Storm facilities
- Parks, playgrounds, land for athletic fields
- Highways & transportation facilities
- Traffic control devices
- Solid waste & recycling facilities
- Fire protection facilities
- Law enforcement facilities
- EMS facilities
- Libraries



Impact fees (continued)

- Cannot use for anything not specifically listed Statute
 - ✓ City, village or town halls
 - ✓ Facilities owned by school district
 - ✓ Vehicles (fire truck)



Impact fees (continued)

- Timeline for spending:
 - ✓ 2017 Act 243 modified timeline for spending & refunding
 - ✓ 8-Years from time of collection for all facilities except sewer
 - ✓ 10-Years from time of collection for sanitary sewer facilities & lift stations
 - Can be extended by 3-years due to hardship
 - (need resolution specifying situation)



Impact fee process

1. Conduct public facilities needs assessment
2. Complete inventory of existing facilities
3. Identify new, improved or expanded costs by type
4. Analyze deficiency/growth to determine impact fee share of facility costs
5. Calculate fee impacts on affordable housing
6. Place study on file for 30-day period (Clerk's office)
7. Prepare impact fee ordinance
8. Hold public hearing (after 30-day period)



Impact fee process (continued)

Consider reasonable service level standards for use in impact fee calculation.

| Park Type | Existing Acres | Service Level Acres/1,000 Population | 2005 Population | 2005 Acreage Need | Surplus/(Deficiency) | Deficiency % | Growth % |
|-------------------|----------------|---|--------------------|----------------------|----------------------|--------------|----------|
| Neighborhood Park | 5.00 | 2.00 | 11,195 | 22.39 | (17.39) | 78% | 22% |
| Community Park | 120.85 | 15.44 | 11,195 | 172.85 | (52.00) | 30% | 70% |
| Regional Park | 140.00 | 10.00 | 11,195 | 111.95 | 28.05 | 0% | 100% |



Impact fee: Practical considerations

- Consider time period between fee implementation, when facility will be constructed
 - ✓ Don't want to lose out on revenue, BUT do need to make sure project will happen
- Update the study as conditions change
 - ✓ Comprehensive plan update
 - ✓ Project completed, actual costs known
 - ✓ Scope changes



Impact fee: Practical considerations (continued)

- Water impact fees and PSC
 - ✓ PSC staff will use Impact fee study as grounds to determine utility based vs. contributed asset addition
 - ✓ Allow for extra time in rate case if you have water impact fees
- There is a difference between connection fees and impact fees!



Your presenters



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