Transportation Utility Creation Feasibility Study

For

The City of Wisconsin Rapids

August, 2021

Prepared by:

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Transportation Utility Creation Feasibility Study
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May 4, 2021 Transportation Utility Creation Analysis Presentation to Common Council

June 1, 2021 Follow Up Transportation Utility Creation Analysis Presentation to Common Council

Transportation Utility Creation Feasibility Study

Introduction

The City of Wisconsin Rapids hired the project team of Ehlers and raSmith in 2021 to prepare a Feasibility Analysis for the possible creation of a Transportation Utility. The City of Wisconsin Rapids has 150 miles of streets to maintain and is currently replacing approximately 1 mile of streets per year. The City historically has relied upon General Obligation (GO) debt issuance to fund road reconstruction and resurfacing projects due to State imposed levy limits. The City utilizes special assessments to recover a portion of street reconstruction costs. In addition, the City largely relies upon the operating property tax levy and State transportation aids to fund transportation operations expenses.

This study is a feasibility study in that it is intended to provide the Common Council with enough information to consider if it wants to move forward with the creation of a transportation utility. The study is intended to educate the Council on what a transportation utility is, including their history in the United States and Wisconsin, what preliminary user rates would look like for City users under several possible creation scenarios, the legality of creating a transportation utility in Wisconsin, and next steps the City will need to consider if the Council desires to create a transportation utility in the City of Wisconsin Rapids.

Transportation Utility Explanation and History

A transportation utility is a funding mechanism for a municipality's transportation system that essentially equates the transportation system to a utility similar to the City's water and sewer utilities. User rates are calculated for properties within the municipality based on a property's use of the transportation system. The method to measure system usage can vary by municipality, but the method that appears to be the most legally defendable is Trip Generation as published by the Institute for Transportation Engineers (ITE).

Trip Generation is a method for measuring traffic volume based upon trip ends generated by different land use types. The ITE publishes a Trip Generation Manual that measures traffic generation by land use type for 1,000's of potential land uses. The Trip Generation method and manual is widely accepted by those municipalities that have transportation utilities as a reliable method for determining daily traffic generation by land use type. This method measures a property's use of the transportation system much the same way a water meter measures a utility customer's water consumption.

The concept of a transportation utility is relatively new in the United States and very new to Wisconsin. According to a 2019 Master's Thesis completed by Andrew Eveland (*Clintonville Road Maintenance and Transportation Utility Fee, A Master Thesis. Andrew Robert Eveland. November, 2019. Page, 16*), the first transportation utility in the United States was created in Fort Collins, Colorado in 1984 followed by LaGrange, Oregon. The use of transportation utilities has been more prevalent in in the western portion of the United States to date.

In the early 2000's in Wisconsin, the City of Oconomowoc and the Village of North Fond du Lac both attempted to create transportation utilities. Recently we are aware of the City of Neenah and the Town of Buchanan as having created transportation utilities in Wisconsin. In addition, the City of Janesville, the City of Oshkosh, the City of Clintonville, the City of Waupun, the Village of Little Chute, the Village of Elm Grove and Village of Pewaukee either have or are currently studying this option.

Legal Authority Issues

Transportation Utilities do not have direct enabling legislation in Wisconsin. In June, 2020 the League of Wisconsin Municipalities published a legal opinion on the creation of transportation utilities. In that opinion they concluded that municipalities can rely on their broad Home Rule authority under State Statutes or the Wisconsin Constitution to create such utilities.

The use of Home Rule authority is what a number of municipalities relied upon in the 1990's to create stormwater utilities prior to legislation being drafted to allow for their creation. The use of Home Rule authority, while broad in nature, does not mean that a municipality would not face a challenge for the validity of creating a transportation utility. In fact, it is reasonable to suggest that the City may face a legal challenge on the overall validity of creating a transportation utility.

The League of Municipalities' opinion includes a number of items that municipalities need to consider so that the transportation utility is construed as a user fee and not a tax, and furthermore defensible against a possible legal challenge. These include:

1. Transportation utility fees need to be reasonably based on the costs of the services provided. (i.e. fees must be cost based)
2. Fee should be related to a property owner's use of the street system.
3. Avoid using the fee to pay for snow plowing or street sweeping.
4. Place fees collected in a separate enterprise fund, used only for street rehabilitation costs.
5. Collect the fees in the same manner as other utility charges.
6. Any credit policy adopted should avoid exempting tax-exempt properties so as to not be construed as a tax.
7. To the extent possible, have a process for allowing properties that demonstrate reduced use of system to qualify for a lower fee.

Study Methodology and Results

City staff initially wanted to calculate preliminary transportation utility user rates under three different budget scenarios as described in detail below. As the study progressed the Council asked for the project team to focus primarily on Scenario 2 below but with some additional sub-iterations as listed below. For purposes of this study the two Scenario 2 options are shown in greater detail within this document. The other options as initially presented to the Council, are discussed in the PowerPoint presentations as presented to the Council, in May 2021, and enclosed as an appendix to this document, but not discussed further in this study document.

All user rate scenarios were based on the concept of Trip Generation and the number of daily trips that are estimated to be generated within the City. For this exercise, raSmith relied upon City property assessment data and other City parcel data to identify property type and then assign trips based upon the weekday average trip rate for each parcel type as identified in the ITE Trip Generation Manual. All single-family residential parcels have a uniform number of 9.44 trips per day assigned to them per the ITE Trip Generation manual. Non-residential parcels have trips assigned based upon land use classification, related Trip Generation rates and a scale factor (e.g. building size, site size, etc.). For the purpose of this feasibility analysis, raSmith has entered Trip Generation rates and developed a preliminary estimate of all daily Trips for all parcels within the City. The Trip Generation database for the City will continue to be refined if the City moves forward to create a Transportation Utility. The results of the Trip Generation analysis compared to total assessed value within each property class are shown graphically below. Table 1 shows the summary of the number of properties and total estimated number of average daily Trips within the City.

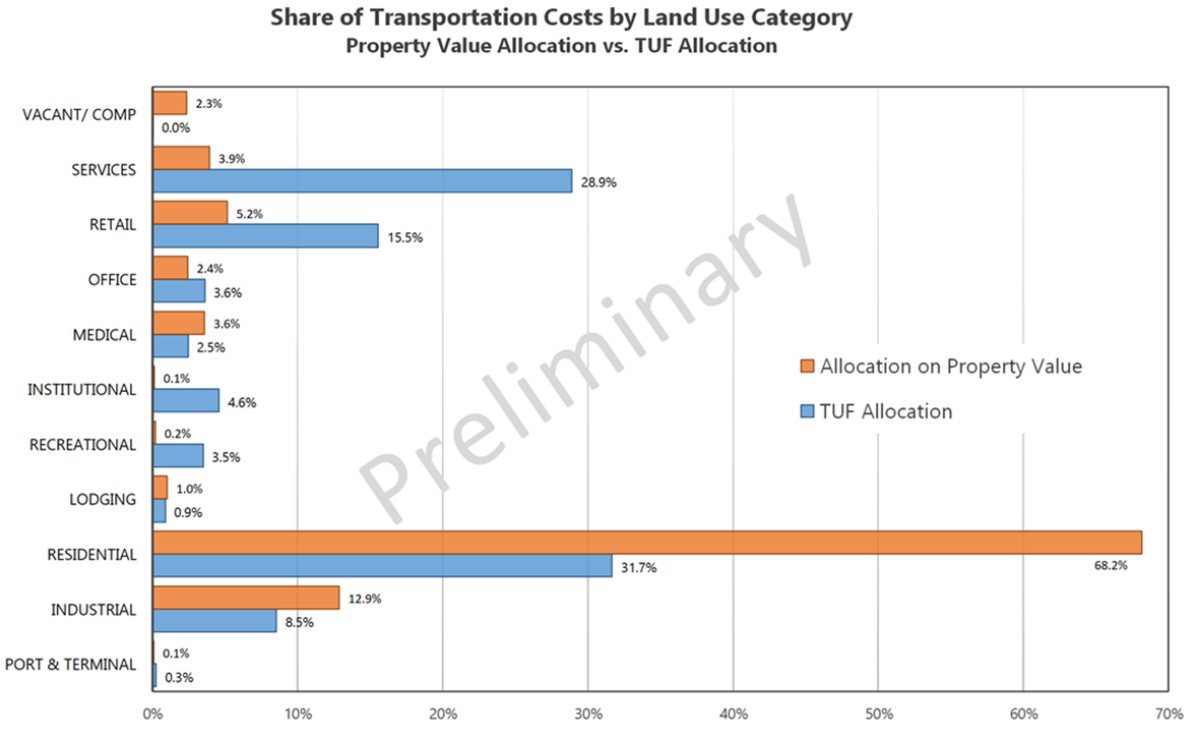


Table 1
Transportation Utility Summary of Total Average Daily TRIPs
City of Wisconsin Rapids, WI

	Trip and Cost Breakdown by ITE Categories	
ITE Categories	**No. of Properties**	**No. of Trips (Daily**
Totals:	7,400	340,000

Notes:
1. Source: Trip generation database developed by RA Smith.
2. Number of Trips per land use category developed through property analysis completed by raSmith using the Institute of Traffic Engineers (ITA) Trip Generation Manual.

The three scenarios that City staff desired to have user rates developed for are summarized below. Both scenarios forecast preliminary estimated capital and operating costs through the year 2026.

Initial Scenario Study Focus:

	Capital Projects Funded	Capital Funding	Operations Funding
Scenario 1	Special Assessments	Transportation Utility	Property Tax Levy
Scenario 2	Special Assessments, Current Service Level Street Reconstruction Projects	Transportation Utility	Transportation Utility
Scenario 3	Special Assessments, Desired Service Level Street Reconstruction Projects	Transportation Utility	Transportation Utility

As stated above, as the study progressed and initial results were shown to the Common Council, the focus shifted to Scenario 2 as the desired study option. The Council wanted to see two options for Scenario 2 (referred to as Scenario 2- and Scenario 2+), which are shown in this study document and summarized below.

Current Study Focus:

	Capital Projects Funded	Capital Funding	Operations Funding
Scenario 2-	Special Assessments, Current Service Level Street Reconstruction Projects	Transportation Utility	Property Tax Levy
Scenario 2+	Special Assessments, Current Service Level Street Reconstruction Projects	Transportation Utility	Transportation Utility

Table 2 shows the total estimated capital improvmeent budget by year from 2022-2026 for both Scenario 2- and 2+. The capital budget is the same for both scenarios.

Table 2
Transportation Utility Capital Improvement Plan By Scenario
City of Wisconsin Rapids, WI

Scenarios 2- and 2+

Projects	2022	2023	2024	2025	2026	Totals
Street Reconstruction	1,700,000	1,734,000	1,768,680	1,804,054	1,840,135	*8,846,868*
Actual CIP Costs	**1,700,000**	**1,734,000**	**1,768,680**	**1,804,054**	**1,840,135**	**8,846,868**

Sources of Funding - Scenarios 2- & 2+	2022	2023	2024	2025	2026	
G.O. Debt	0	0	0	0	0	*0*
Revenue Debt	0	0	0	0	0	*0*
CDBG Grant	0	0	0	0	0	*0*
LRIP Grant	0	0	0	0	0	*0*
Special Assessment	0	0	0	0	0	*0*
User Fees	1,700,000	1,734,000	1,768,680	1,804,054	1,840,135	*8,846,868*
Tax Levy	0	0	0	0	0	*0*
Equipment Replacement Fund	0	0	0	0	0	*0*
Cash	0	0	0	0	0	*0*
Total	**1,700,000**	**1,734,000**	**1,768,680**	**1,804,054**	**1,840,135**	**8,846,868**

Notes:
1. All capital costs assumed to inflate by 2.0% annually.

Table 3
Transportation Utility Operating Budget - All Scenarios
City of Wisconsin Rapids, WI

Scenario 2-

Line Item	2022	2023	2024	2025	2026	5-Year Average
Total Operating Budget	**0**	**0**	**0**	**0**	**0**	**0**

Scenario 2+

Line Item	2022	2023	2024	2025	2026	5-Year Average
Operating and Maintenance Expenses	450,000	459,000	468,180	477,544	487,094	468,364

Notes:
1. Operating expenses inflated at 2.0% annually and based on current dollar amounts levied for by the City.

Table 3 shows a summary of the annual operations expenses by scenario for the proposed transportation utility. Scenario 2- assumes the annual operations expenses will continue to be funded via the property tax levy, whereas Scenario 2+ assumes those costs will be funded by the transportation utility. Operations cots can be summarized as crack filling, seal coating, pothole repair as well as the labor costs associated with those activities.

The revenue requirements for the two scenarios are shown on Table 4. The revenue requirement is simply defined as the amount of revenue that is needed to be generated through user rates. The revenue requirements for the two scenarios is allocated between a fixed customer charge component and a Trip Generation component, which is used for the calculation of the preliminary user rates shown on Table 5.

The preliminary user rate calculations for the scenarios shown on Table 5 are broken down into two components: a fixed charge per customer and a Trip Rate that can then be applied to each land use type to calculate the annual utility charge. The costs allocated to the fixed customer charge are divided by the number of estimated customers to arrive at the annual fixed charge per customer. The costs allocated to Trip Generation are divided by estimated number of Trips shown on Table 1 for a rate per Trip. Table 6 shows the summary of the preliminary user rates and charges by scenario (annual and monthly) for different sample property types. Table 7 shows the revenue check for each scenario to ensure that the user rates were calculated properly.

Table 4
Transportation Utility Revenue Requirements by Scenario
City of Wisconsin Rapids

Scenario 2-

Line Item	Test Year Budget 2022	% Allocation to Function Fixed	% Allocation to Function Trip	$ Allocation to Function Fixed	$ Allocation to Function Trip
Subtotal Operating Budget	**0**	**10%**	**90%**	**0**	**0**
Cash Funded Capital Improvement Projects (2022-2026 Avg)	**1,769,374**	**10%**	**90%**	**176,937**	**1,592,436**
Less:					
Transportation Aids	0	10%	90%	0	0
Miscellaneous Revenues	0	10%	90%	0	0
Total Scenario 2 Revenue Requirements	**1,769,374**	**10%**	**90%**	**176,937**	**1,592,436**

Scenario 2+

Line Item	Test Year Budget 2021	% Allocation to Function Fixed	% Allocation to Function Trip	$ Allocation to Function Fixed	$ Allocation to Function Trip
Subtotal Operating Budget	**468,364**	**10%**	**90%**	**46,836**	**421,527**
Cash Funded Capital Improvement Projects (2022-2026 Avg)	**1,769,374**	**10%**	**90%**	**176,937**	**1,592,436**
Less:					
Transportation Aids	0	0%	100%	0	0
Miscellaneous Revenues	0	0%	100%	0	0
Total Scenario 3 Revenue Requirements	**2,237,737**	**10%**	**90%**	**223,774**	**2,013,964**

Table 5
Transportation Utility Rate Calculations by Scenario
City of Wisconsin Rapids, WI

Scenario 2-

Calculation of Fixed Charge	
Costs Allocated to Fixed Charge	$176,937
Customers	7,400
Annual Fixed Charge	$23.91

Calculation of Trip Charge	
Costs Allocated to Trip Charge	$1,592,436
Trips (Annual)	340,000
Cost per Trip (Annual)	$4.68

Scenario 2+

Calculation of Fixed Charge	
Costs Allocated to Fixed Charge	$223,774
Customers	7,400
Annual Fixed Charge	$30.24

Calculation of Trip Charge	
Costs Allocated to Trip Charge	$2,013,964
Trips (Annual)	340,000
Cost per Trip (Annual)	$5.92

Table 6
Transportation Utility Summary of User Rates by Scenario
City of Wisconsin Rapids, WI

Proposed Charges by Scenario for a Single-Family Home

	Annual Fixed Charge	Annual Trip Rate	Trips/Day	Annual Utility Charge	Monthly Utility Charge
Scenario 2-	$23.91	$4.68	9.44	$68.12	$5.68
Scenario 2+	$30.24	$5.92	9.44	$86.16	$7.18

Proposed Charges by Scenario for a Multi-Use Retail Building

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 2-	$23.91	$4.68	544	$2,571.81	$214.32
Scenario 2+	$30.24	$5.92	544	$3,252.58	$271.05

*Based on a 11,025 square feet multi-use retail building.

Proposed Charges by Scenario for a Fast Food Restaurant

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 2-	$23.91	$4.68	1,412.85	$6,641.19	$553.43
Scenario 2+	$30.24	$5.92	1,412.85	$8,399.15	$699.93

*Based on a 3,000 square foot facility with drive through.

Proposed Charges by Scenario for a Church

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 2-	$23.91	$4.68	83.40	$414.53	$34.54
Scenario 2+	$30.24	$5.92	83.40	$524.25	$43.69

*Based on a 12,000 square foot stand alone church facility without a school.

Proposed Charges by Scenario for a Bank Building

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 2-	$23.91	$4.68	792.00	$3,733.35	$311.11
Scenario 2+	$30.24	$5.92	792.00	$4,721.59	$393.47

*Based on a 18,000 square foot bank building that has both an office and bank function.

Proposed Charges by Scenario for an Office Building

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 2-	$23.91	$4.68	33.00	$178.47	$14.87
Scenario 2+	$30.24	$5.92	33.00	$225.71	$18.81

*Based on a 2,832 square foot office building.

Table 7
Transportation Utility User Rate Revenue Check by Scenario
City of Wisconsin Rapids, WI

Scenario 2-

	Trip and Cost Breakdown by ITE Categories				
			Annual Charges		
ITE Categories	No. of Properties	No. of Trips (Daily)	Fixed	Rate	Total
Totals:	7,400	340,000	$ 23.91	$ 4.684	$ 1,769,374

Total Revenue Requirement	1,769,374
Revenue Check	-

Scenario 2+

	Trip and Cost Breakdown by ITE Categories				
			Annual Charges		
ITE Categories	No. of Properties	No. of Trips (Daily)	Fixed	Rate	Total
Totals:	7,400	340,000	269	$ 5.92	2,237,737

Total Revenue Requirement	2,237,737
Revenue Check	-

Long Term Debt Analysis

As part of this study, a future debt issuance scenario was prepared to examine the amount of General Obligation (GO) borrowing for road reconstruction projects estimated from 2022-2026 if a transportation utility is not created. The purpose of the analysis was to 1) examine the future tax rate for new debt associated with road reconstruction projects, and the current roads operations levy without the creation of a transportation utility to be able to compare the tax rate for debt and operations against the proposed user rates for a transportation utility over the same period; and 2) examine the impact of the 2022-2026 road reconstruction projects on overall available GO debt capacity.

Table 8 shows the projected annual total borrowings for street reconstruction only projects from 2022-2026. The borrowing amounts match to estimated capital costs shown on Table 2. Table 9 shows the total estimated annual principal and interest payments for all debt issued in Table 8. Table 10 shows the estimated tax rate for debt and operations expenses for the 2022-2026 period if no transportation utility is created. Table 11 shows the estimated impact on GO debt capacity of only the debt issues for road reconstruction projects. It is very likely the City will have other GO borrowing needs in addition to the road projects shown that in total may increase the City's overall GO debt capacity.

Table 8
Transportation Utility - Borrowing Scenario
No Transportation Utility - Current Service Level Funding

City of Wisconsin Rapids

	2022 Projects	2023 Projects	2024 Projects	2025 Projects	2026 Projects
	2022 G.O. Notes	2023 G.O. Notes	2024 G.O. Notes	2025 G.O. Notes	2026 G.O. Notes
Road Projects	1,700,000	1,734,000	1,768,680	1,804,054	1,840,135
Less:					
Other Funding	0	0	0	0	0
Estimated Issuance Expenses	71,800	72,750	74,200	77,600	79,250
TOTAL TO BE FINANCED	1,771,800	1,806,750	1,842,880	1,881,654	1,919,385
Estimated Interest Earnings	(1,109)	(1,131)	(1,153)	(1,178)	(1,200)
Rounding	4,309	4,381	3,273	4,525	1,815
NET ISSUE SIZE	1,775,000	1,810,000	1,845,000	1,885,000	1,920,000

Table 9
2022-2026 Issuances Projected Total Debt Service

City of Wisconsin Rapids, WI

Year Ending	2022-2026 Debt Issuances Projected Principal & Interest		
	Principal	Interest	Total
2020	0	0	0
2021	0	0	0
2022	0	0	0
2023	165,000	16,158	181,158
2024	340,000	33,511	373,511
2025	515,000	62,305	577,305
2026	705,000	70,744	775,744
2027	885,000	89,976	974,976
2028	910,000	81,850	991,850
2029	915,000	72,679	987,679
2030	930,000	62,391	992,391
2031	940,000	50,938	990,938
2032	950,000	38,321	988,321
2033	775,000	25,908	800,908
2034	595,000	15,335	610,335
2035	405,000	7,133	412,133
2036	205,000	1,845	206,845
2037	0	0	0
2038	0	0	0
2039	0	0	0
Total	9,235,000	629,093	9,864,093

Table 10
Tax Impact Analysis - Est. Finance Plan and Roads Operations Levy
City of Wisconsin Rapids, WI

Year Ending	Equalized Value (TID OUT)	Proposed Debt: 9,235,000 2022-2026 Issues Total Principal and Interest	Levy and Tax Rate: Operations Levy	Net Tax Levy	Total Tax Rate	Levy Change from Prior Year	Annual Taxes $150,000 Home	Year Ending
2022	1,121,294,425	0	450,000	450,000	$0.40	450,000	$60	2022
2023	1,132,507,369	181,158	459,000	640,158	$0.57	190,158	$85	2023
2024	1,143,832,443	373,511	468,180	841,691	$0.74	201,534	$110	2024
2025	1,155,270,767	577,305	477,544	1,054,849	$0.91	213,157	137	2025
2026	1,166,823,475	775,744	487,094	1,262,838	$1.08	207,990	$162	2026
2027	1,178,491,710	974,976	496,836	1,471,813	$1.25	208,974	$187	2027
2028	1,190,276,627	991,850	506,773	1,498,623	$1.26	26,810	$189	2028
2029	1,202,179,393	987,679	516,909	1,504,587	$1.25	5,964	$188	2029
Total								Total

Notes:

1. Equalized value assumed to increase by 1.00% annually. Operating expenses beyond 2026 estimated to increase by 2.0% annually.

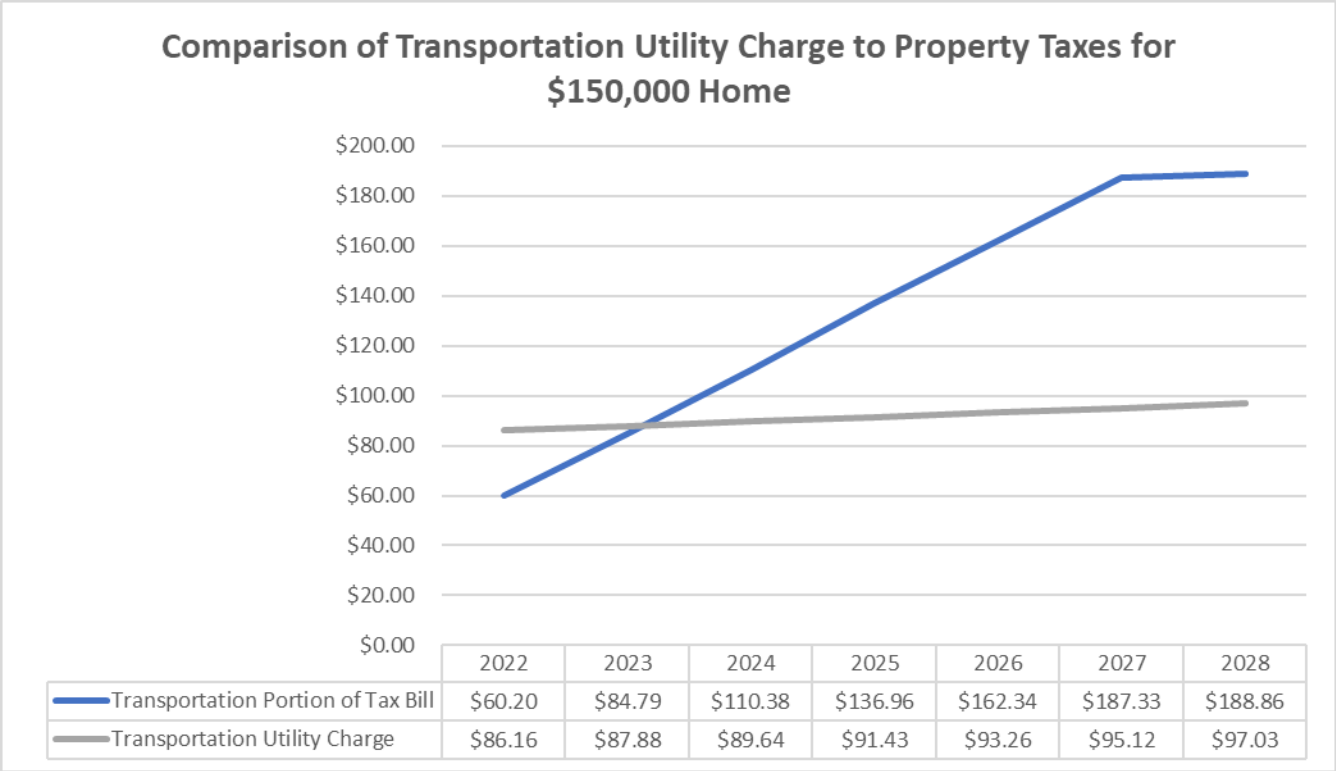
Table 11
General Obligation Debt Capacity Analysis
City of Wisconsin Rapids, WI

Existing Debt					Proposed Debt							
Year Ending	Projected Equalized Value (TID IN)	Debt Limit	Existing Principal Outstanding	% of Limit	2022 G.O. Notes	2023 G.O. Notes	2024 G.O. Notes	2025 G.O. Notes	2026 G.O. Notes	Combined Principal Existing & Proposed	% of Limit	Residual Capacity	Year Ending
2020	1,130,337,600	56,516,880	25,775,663	**46%**						$25,775,663	**46%**	$30,741,217	2020
2021	1,141,640,976	57,082,049	23,414,728	**41%**						$23,414,728	**41%**	$33,667,321	2021
2022	1,153,057,386	57,652,869	20,946,923	**36%**	1,775,000					$22,721,923	**39%**	$34,930,946	2022
2023	1,164,587,960	58,229,398	18,494,400	**32%**	1,610,000	1,810,000				$21,914,400	**38%**	$36,314,998	2023
2024	1,176,233,839	58,811,692	16,235,983	**28%**	1,435,000	1,645,000	1,845,000			$21,160,983	**36%**	$37,650,709	2024
2025	1,187,996,178	59,399,809	13,856,642	**23%**	1,260,000	1,470,000	1,680,000	1,885,000		$20,151,642	**34%**	$39,248,167	2025
2026	1,199,876,139	59,993,807	11,726,348	**20%**	1,085,000	1,290,000	1,500,000	1,715,000	1,920,000	$19,236,348	**32%**	$40,757,459	2026
2027	1,211,874,901	60,593,745	9,795,069	**16%**	910,000	1,110,000	1,320,000	1,535,000	1,750,000	$16,420,069	**27%**	$44,173,676	2027

Notes:

1. Equalized value assumed to increase by 1.00% annually.

A summary chart is shown below to compare the total estimated transportation utility charge for a single-family home against the estimated portion of property taxes for a single-family home valued at $150,000 over the study planning period based on the estimated tax rates shown in Table 10.



	2022	2023	2024	2025	2026	2027	2028
Transportation Portion of Tax Bill	$60.20	$84.79	$110.38	$136.96	$162.34	$187.33	$188.86
Transportation Utility Charge	$86.16	$87.88	$89.64	$91.43	$93.26	$95.12	$97.03

Creation Ordinance and Credit Policy Considerations

If the Common Council decides to proceed with creating a transportation utility, there are several steps that the City will need to complete prior to the first utility bills being issued which are laid out in the next steps below. Among them, the City will need to create and adopt an ordinance creating the transportation utility. The ordinance will need to specify the purpose of the utility, the governance and oversight structure, definition of user rates, billing structure and timing, definition of any applicable credit policy for reducing the number of Trips to a particular property, and how to handle billing disputes or bill appeals. It will be necessary for City staff to consider how the utility will be overseen, both at a staff level and at a Committee level. It will be important for the City to work with a qualified attorney to assist in preparing the utility ordinance.

The City will also need to consider whether it wants to adopt a credit policy for property owners. There are a number of possible credit policies the City could consider. One possible option for residential parcels is to consider a low-income rate reduction for applicable property owners. The City would need to consider how to administer this program and how property owners may qualify. In his 2019 Master's Thesis, Andrew Eveland suggested "one convenient option available to the City would be to tie the

application of low-income TUF creation to a state-wide, home heating assistance program which serves a similar function in Wisconsin Rapids and elsewhere throughout the State of Wisconsin." (*Wisconsin Rapids Road Maintenance and Transportation Utility Fee, A Master Thesis. Andrew Robert Eveland. November, 2019. Page, 40*).

Next Steps

This feasibility study attempts to provide the Common Council with enough information to consider if it wants to move forward with the creation of a transportation utility. Assuming the Council wishes to proceed with the creation of a transportation utility we identify the following steps to be taken:

1. The Council to decide on a budget and user rate scenario that it would like to proceed with.
2. Continue working on a public education outreach campaign on the transportation utility and engage in public outreach as needed on the utility.
3. Establish a formalized transportation utility budget to define total revenues and detailed expenses on an annual basis.
4. The Trip Generation database to be incorporated into the City's utility billing database so that the applicable user rates can be assigned to each parcel based on their individual Trip Generation rates.
5. A Transportation Utility Ordinance will need to be created specifying the governance structure of the utility, the frequency and method for billing and method for settling any disputes on charges and/or any applicable credit policy.

EHLERS
PUBLIC FINANCE ADVISORS

Transportation Utility Creation Analysis
City of Wisconsin Rapids

Jon Cameron, Senior Municipal Advisor - Ehlers
Jeff Mazanec, Senior Consultant - raSmith

Overview

- Transportation Utility Overview and Authority to Create
- Global Rate Setting Principals & Differentiating Between a Fee and a Tax
- Why Consider?
  - ✓ Fairness
  - ✓ Levy limits and possible operations referendum
  - ✓ Borrowing and sustainability
- Study Results to Date
  - ✓ Budget scenarios
  - ✓ User rates and impact on sample customers
- How Road projects fit into CIP if no utility is created?
- Next Steps

Transportation Utility Overview

Equates the municipality's transportation network to a utility like a water, sewer or stormwater utility

User rates collected to fund the operations of the transportation system including:

- Operations costs
- Capital

Generally based on TRIP Generation (measure of system usage)

Institute of Transportation Engineer's *TRIP Generation Manual*

What is a TRIP = any time a car enters or leaves a driveway

Different land use types have different TRIP generation rates

Authority to Create a Transportation Utility

No direct Statute to establish a Transportation Utility in Wisconsin

Creation of a Transportation Utility linked to Home Rule Authority, whereby municipalities have the authority to act:

- For the good order of the City
- For a municipality's commercial benefit
- For the health, safety and welfare of the municipality
- Have to ability to carry out its power by appropriation, or by other necessary and convenient means

Formally the means by which municipalities relied on to create stormwater utilities… This has not YET been tested in Wisconsin

Issues to Consider with User Charges…Global Rate Setting Principals

Global principals around which rates must (should) be set

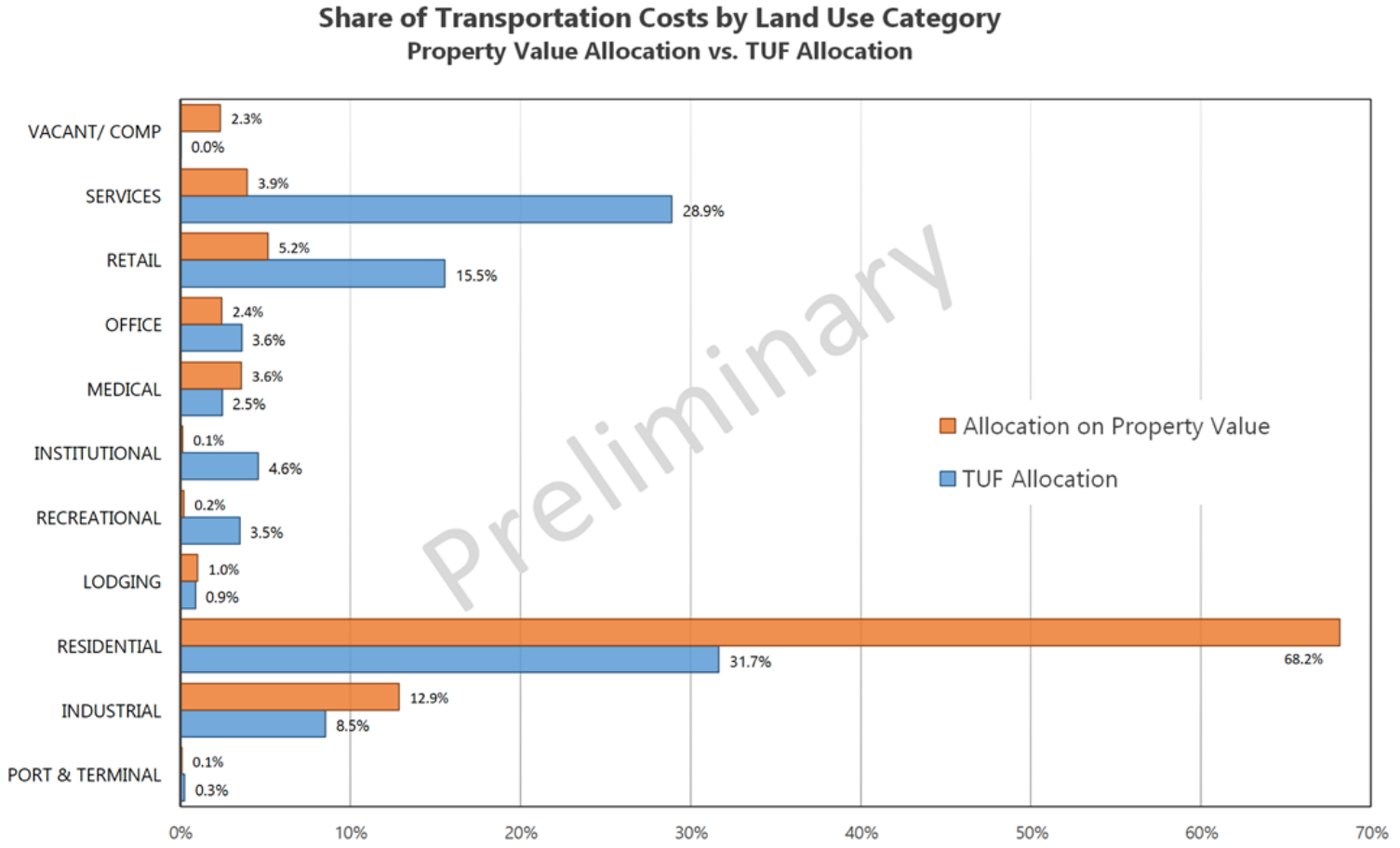
- Rate should be cost-based and equitable and set at such a level that they meet the full revenue requirements of the utility
- Rates should be easy to understand and administer
- Rates and the process of allocation costs should follow the principles of cost-causation (those who cause the costs pay the costs)
- Rates should be stable in both their ability to provide adequate revenues to meet the utility's financial, operating and regulatory requirements and in the customer's perception of the rates from year to year

Differentiating Between a Fee & a Tax

WI League of Municipalities June 2020 Opinion on Transportation Utility Creation:

1. Place fees collected in a separate fund, used only for street maintenance transportation projects.
2. Collect fees in same manner as other utility charges.
3. Ensure formula for calculating fees is as accurate as possible.
4. Any credit policy should avoid exempting tax-exempt properties. (gives appearance of a tax).
5. To the extent possible, have a process for allowing properties that demonstrate reduced use of street system to qualify for lower fee.

Why Consider a Transportation Utility - Fairness



Why Consider a Transportation Utility – Levy Limits

Municipalities are only allowed to increase their levy by the increase in net new construction

- City would likely not be able to increase the operations levy for roads without an operating referendum or a reduction in service within the tax levy

Many municipalities rely on the issuance of debt to fund street rehabilitation projects

- Limited to borrowing no more than 5% of total equalized value through General Obligation Debt
- At the end of 2020 City was at 46% of debt limit with $30.74 million of remaining capacity

Transportation Utility Scenarios

	Capital Projects Funded	Capital Funding	Operations Funding
Scenario 1	Special assments	Transportation Utility	Property Tax Levy
Scenario 2	Current Service Level Street Reconstruction Projects	Transportation Utility	Transportation Utility
Scenario 3	Desired Service Level Street Reconstruction Projects	Transportation Utility	Transportation Utility
Scenario 4	Current Service Level Street Reconstruction Projects	Property Tax Levy	Property Tax Levy
Scenario 5	Desired Service Level Street Reconstruction Projects	Property Tax Levy	Property Tax Levy

	Revenue Requirement	Capital	Operations
Scenario 1	$350,000	$350,000	$0
Scenario 2	$2,700,000	$1,700,000	$1,000,000
Scenario 3	$5,300,000	$3,500,000	$1,800,000
Scenario 4	$2,700,000	$1,700,000	$1,000,000
Scenario 5	$5,500,000	$3,500,000	$1,800,000

Draft Transportation Utility Charges for a Single-Family Home

	Annual Fixed Charge	Annual Trip Rate	Trips/Day	Annual Utility Charge	Monthly Utility Charge
Scenario 1	$4.24	$1.07	9.44	$14.38	$1.20
Scenario 2	$32.68	$8.29	9.44	$110.96	$9.25
Scenario 3	$66.56	$16.89	9.44	$226.02	$18.84

Draft Transportation Utility Charges for a Commercial Office Building

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 1	$4.24	$1.07	161.9	$178.27	$14.86
Scenario 2	$32.68	$8.29	161.9	$1,375.21	$114.60
Scenario 3	$66.56	$16.89	161.9	$2,801.35	$233.45

*Based on a 10,000 square feet office building.

Draft Transportation Utility Charges for a Fast-Food Restaurant with Drive Through

	Annual Fixed Charge	Annual Trip Rate	Trips/Day*	Annual Utility Charge	Monthly Utility Charge
Scenario 1	$4.24	$1.07	1,412.85	$1,522.95	$126.91
Scenario 2	$32.68	$8.29	1,412.85	$11,748.51	$979.04
Scenario 3	$66.56	$16.89	1,412.85	$23,932.15	$1,994.35

*Based on a 3,000 square foot facility with drive through.

If No Transportation Utility is Created…

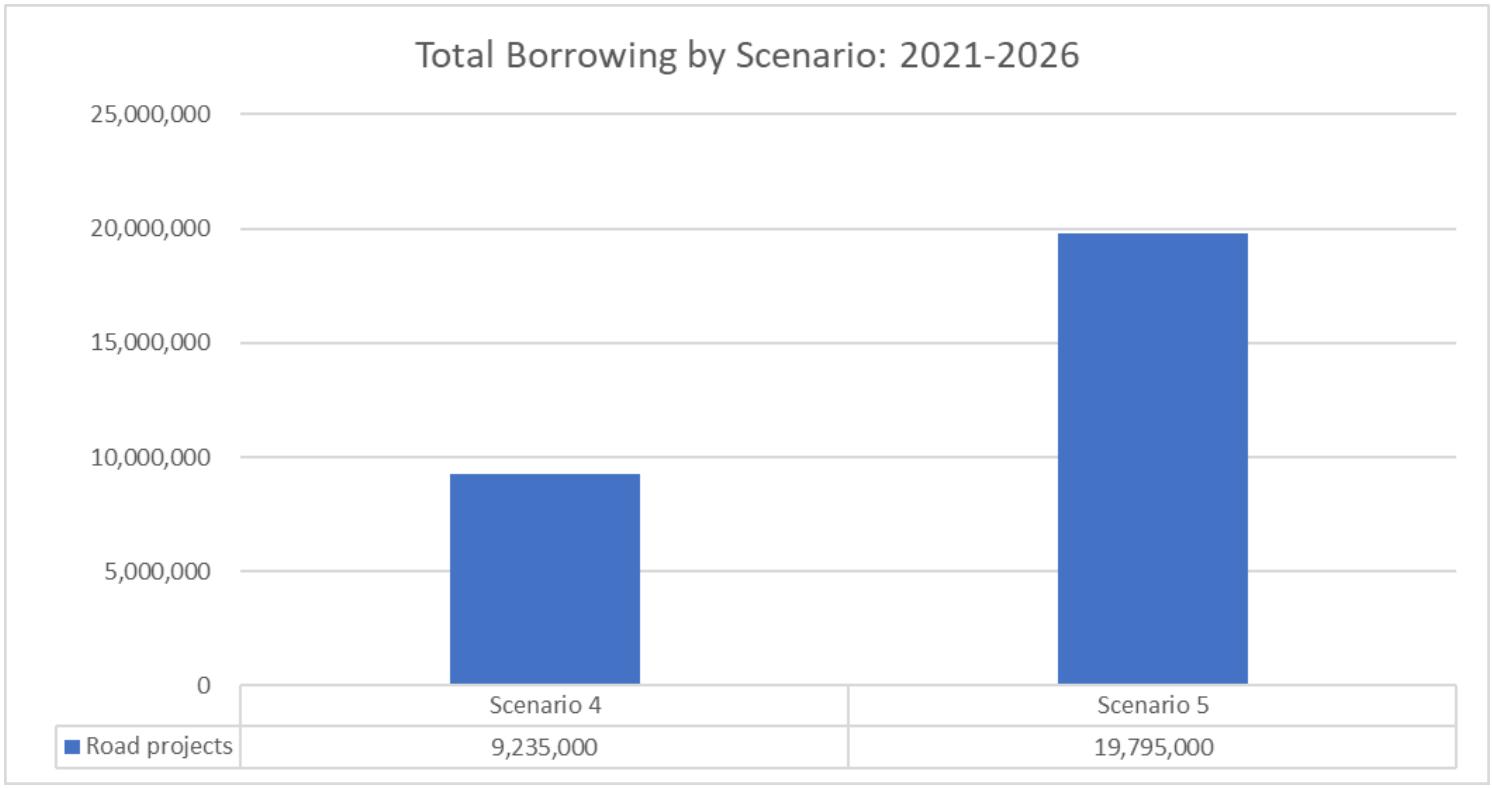
The road projects identified in the CIP will be funded via General Obligation Debt

City may not be able to increase operations expenses for roads without an operations referendum or an in-kind reduction of expenses in another area of the City's budget

<u>2 borrowing & street levy scenarios to illustrate this point:</u>

- ✓ Scenario 4: No utility, City continues current service level (expenses)
- ✓ Scenario 5: No utility, City increases service level (expenses)

2022-2026 Borrowing Summarized by Scenario



Scenario 4 Tax Impact Analysis

Year Ending	Equalized Value (TID OUT)	Proposed Debt: Scenario 4 9,235,000 2022-2026 Issues Total Principal and Interest	Proposed Debt: Operations Levy	Proposed Debt: Levy and Tax Rate: Scenario 4 Net Debt Service Levy	Proposed Debt: Levy and Tax Rate: Scenario 4 Rate for Debt Service	Proposed Debt: Levy and Tax Rate: Levy Change from Prior Year	Proposed Debt: Levy and Tax Rate: Annual Taxes $150,000 Home	Year Ending
2022	1,121,294,425	0	1,000,000	1,000,000	$0.89	1,000,000	$89	2022
2023	1,132,507,369	181,158	1,020,000	1,201,158	$1.06	201,158	$106	2023
2024	1,143,832,443	373,511	1,040,400	1,413,911	$1.24	212,754	$124	2024
2025	1,155,270,767	577,305	1,061,208	1,638,513	$1.42	224,602	$142	2025
2026	1,166,823,475	775,744	1,082,432	1,858,176	$1.59	219,663	$159	2026
2027	1,178,491,710	974,976	1,104,081	2,079,057	$1.76	220,881	$176	2027
2028	1,190,276,627	991,850	1,126,162	2,118,012	$1.78	38,955	$178	2028
2029	1,202,179,393	987,679	1,148,686	2,136,364	$1.78	18,352	$178	2029
Total								Total

Notes:

1. Equalized value assumed to increase by 1.00% annually. Operating expenses beyond 2026 estimated to increase by 2.0% annually.

Scenario 5 Tax Impact Analysis

Year Ending	Equalized Value (TID OUT)	Proposed Debt: Scenario 5 19,795,000 2021 & 2024 Issues Total Principal and Interest	Proposed Debt: Operations Levy	Proposed Debt: Levy and Tax Rate: Scenario 5 Net Debt Service Levy	Proposed Debt: Levy and Tax Rate: Scenario 5 Rate for Debt Service	Proposed Debt: Levy and Tax Rate: Levy Change from Prior Year	Proposed Debt: Levy and Tax Rate: Annual Taxes $100,000 Home	Year Ending
2022	1,121,294,425	0	1,800,000	1,800,000	$1.61	1,800,000	$161	2022
2023	1,132,507,369	402,413	1,836,000	2,238,413	$1.98	438,413	$198	2023
2024	1,143,832,443	816,996	1,872,720	2,689,716	$2.35	451,304	$235	2024
2025	1,155,270,767	1,243,641	1,910,174	3,153,816	$2.73	464,099	$273	2025
2026	1,166,823,475	1,676,660	1,948,378	3,625,038	$3.11	471,222	$311	2026
2027	1,178,491,710	2,125,589	1,987,345	4,112,934	$3.49	487,896	$349	2027
2028	1,190,276,627	2,120,559	2,027,092	4,147,651	$3.48	34,717	$348	2028
2029	1,202,179,393	2,125,881	2,067,634	4,193,515	$3.49	45,864	$349	2029
Total								Total

Notes:

1. Equalized value assumed to increase by 1.00% annually. Operating expenses beyond 2026 estimated to increase by 2.0% annually.

Next Steps

- Council feedback and identification of preferred scenario
- Completion of written Transportation Utility Creation Study
- Development of Transportation Utility Ordinance & any applicable policies and procedures
- Refinement of utility billing database and incorporation of database into utility billing system
- Further community outreach

EHLERS
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Transportation Utility Creation Analysis
City of Wisconsin Rapids

Jon Cameron, Senior Municipal Advisor - Ehlers
Jeff Mazanec, Senior Consultant - raSmith

Overview

- Brief Recap of Transportation Utility Overview
- Study Results to Date
  - ✓ Budget scenarios
  - ✓ User rates and impact on sample customers
  - ✓ Comparison of Property Taxes to User Rates for sample customers
- Next Steps

Transportation Utility Overview

Equates the municipality's transportation network to a utility like a water, sewer or stormwater utility

User rates collected to fund the operations of the transportation system including:

- Operations costs
- Capital

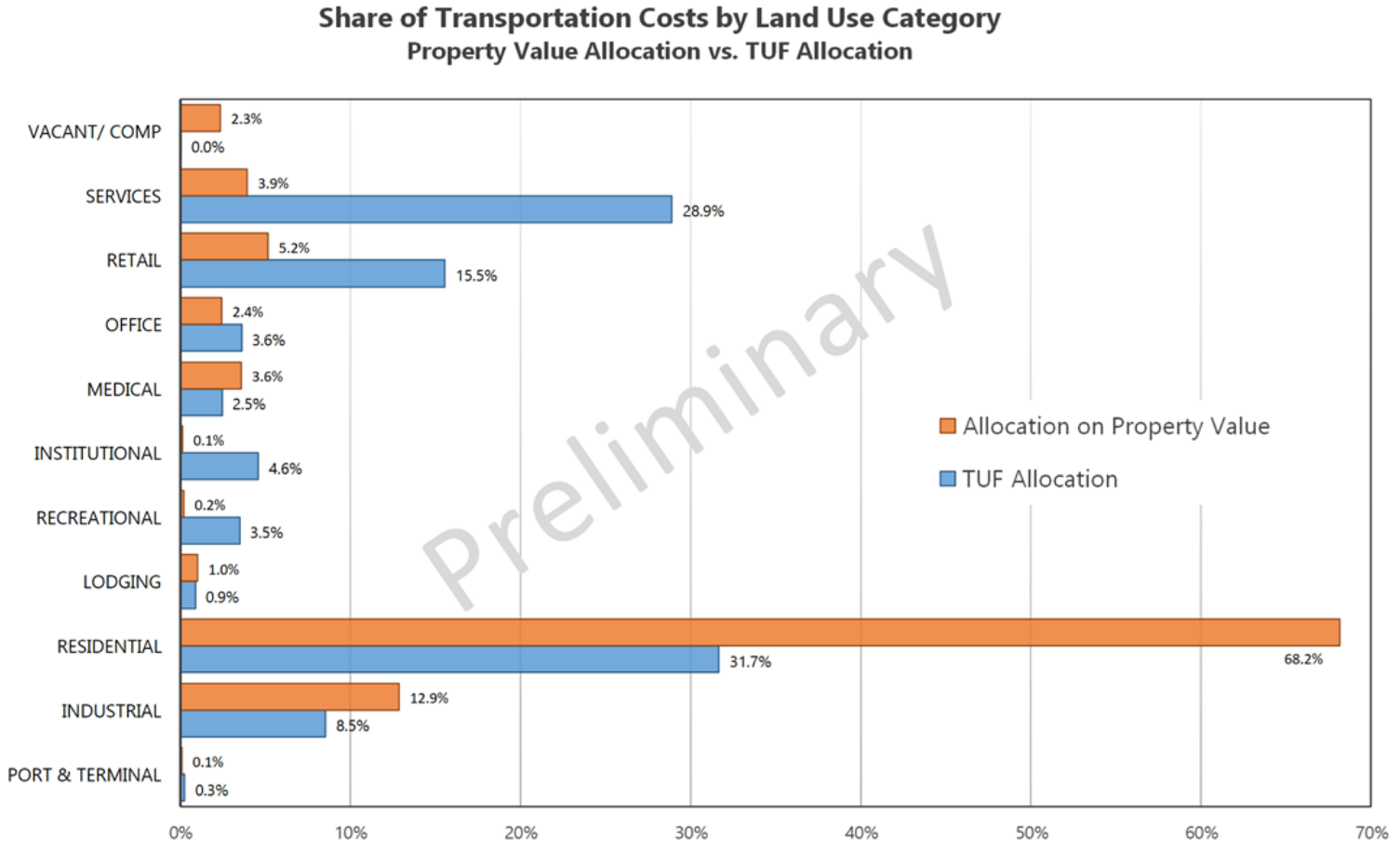
Generally based on TRIP Generation (measure of system usage)

Institute of Transportation Engineer's *TRIP Generation Manual*

What is a TRIP = any time a car enters or leaves a driveway

Different land use types have different TRIP generation rates

Why Consider a Transportation Utility - Fairness



Transportation Utility Scenarios

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Scenario 5	Special Assessments, Desired Service Level Street Reconstruction Projects	Property Tax Levy	Property Tax Levy

	Revenue Requirement	Capital	Operations
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<u>2 borrowing & street levy scenarios to illustrate this point:</u>

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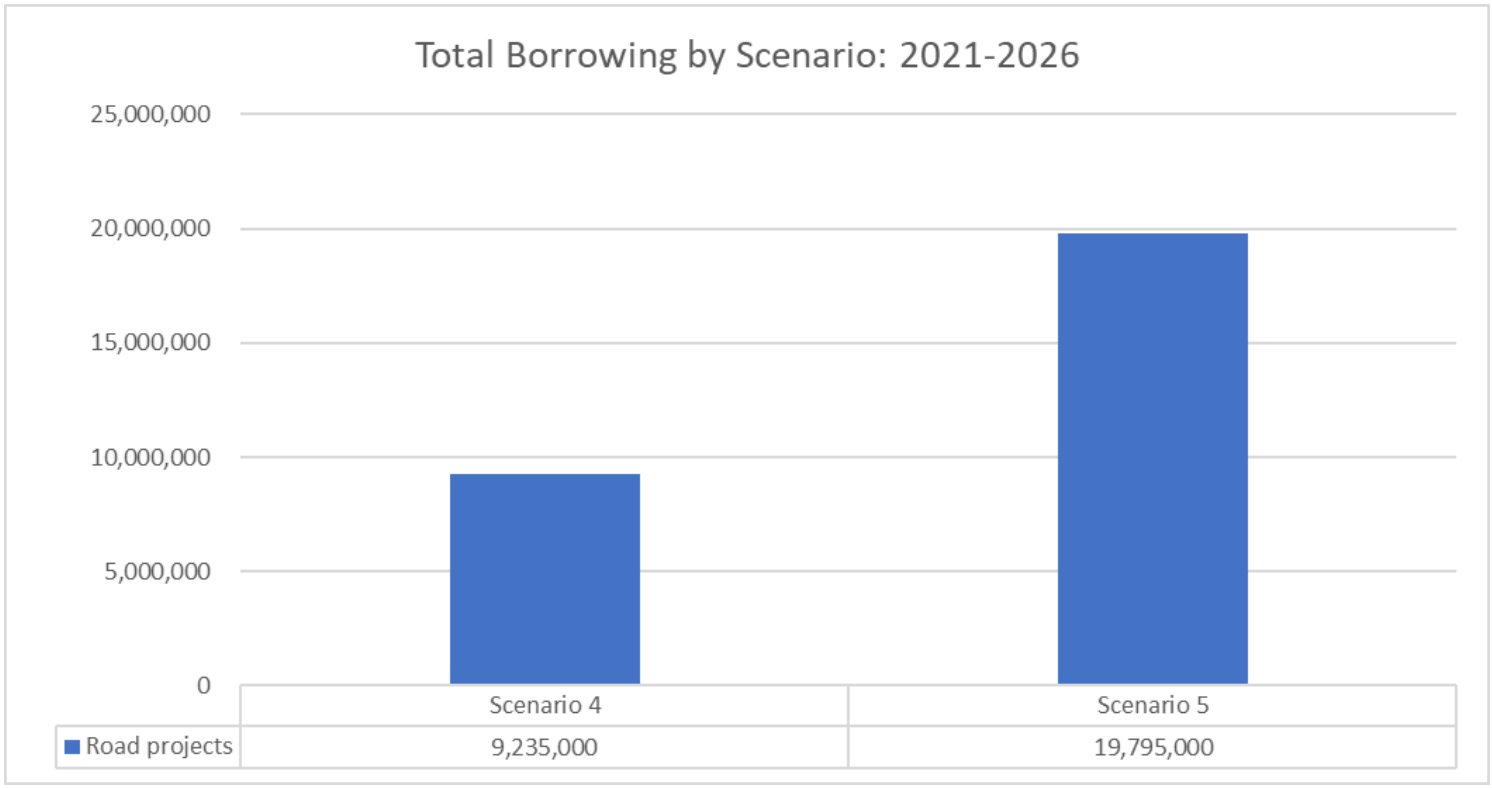
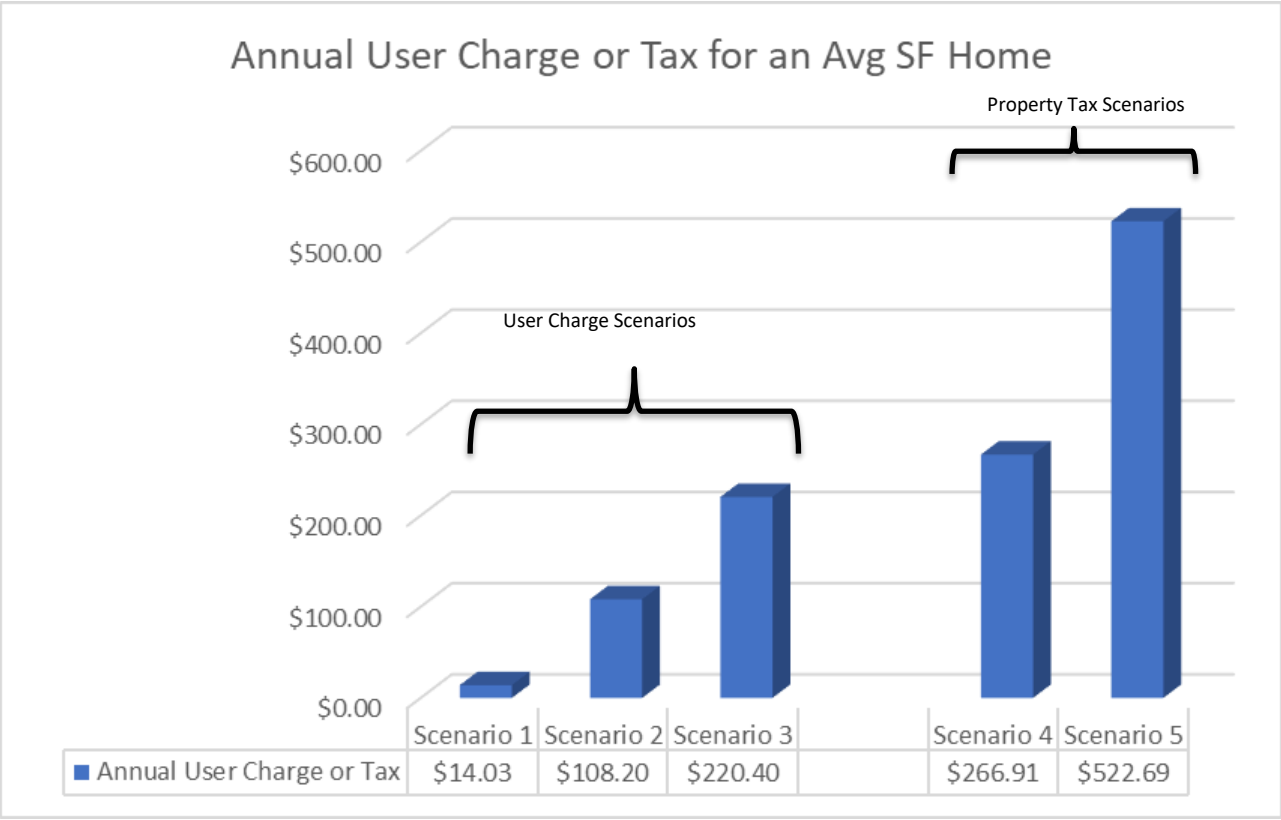
2022-2026 Transportation Borrowing Summarized by Scenario



Current User Rate Calculations by Scenario

City of Wisconsin Rapids TUF Charges per Funding Level Scenarios	Scenario 1 Special Assessments	Scenario 2 Special Assessments & Current Service Level Reconstruction	Scenario 3 Special Assessments & Desired Service Level Reconstruction
Calculation of Fixed Charge			
Costs Allocated to Fixed Charge	$36,428	$281,018	$572,444
Customers	7,400	7,400	7,400
Annual Fixed Charge	$4.92	$37.98	$77.36
Calculation of Trip Charge			
Costs Allocated to Trip Charge	$327,855	$2,529,164	$5,152,000
Trips (Daily)	340,000	340,000	340,000
Cost per Trip (Annual)	$0.96	$7.44	$15.15

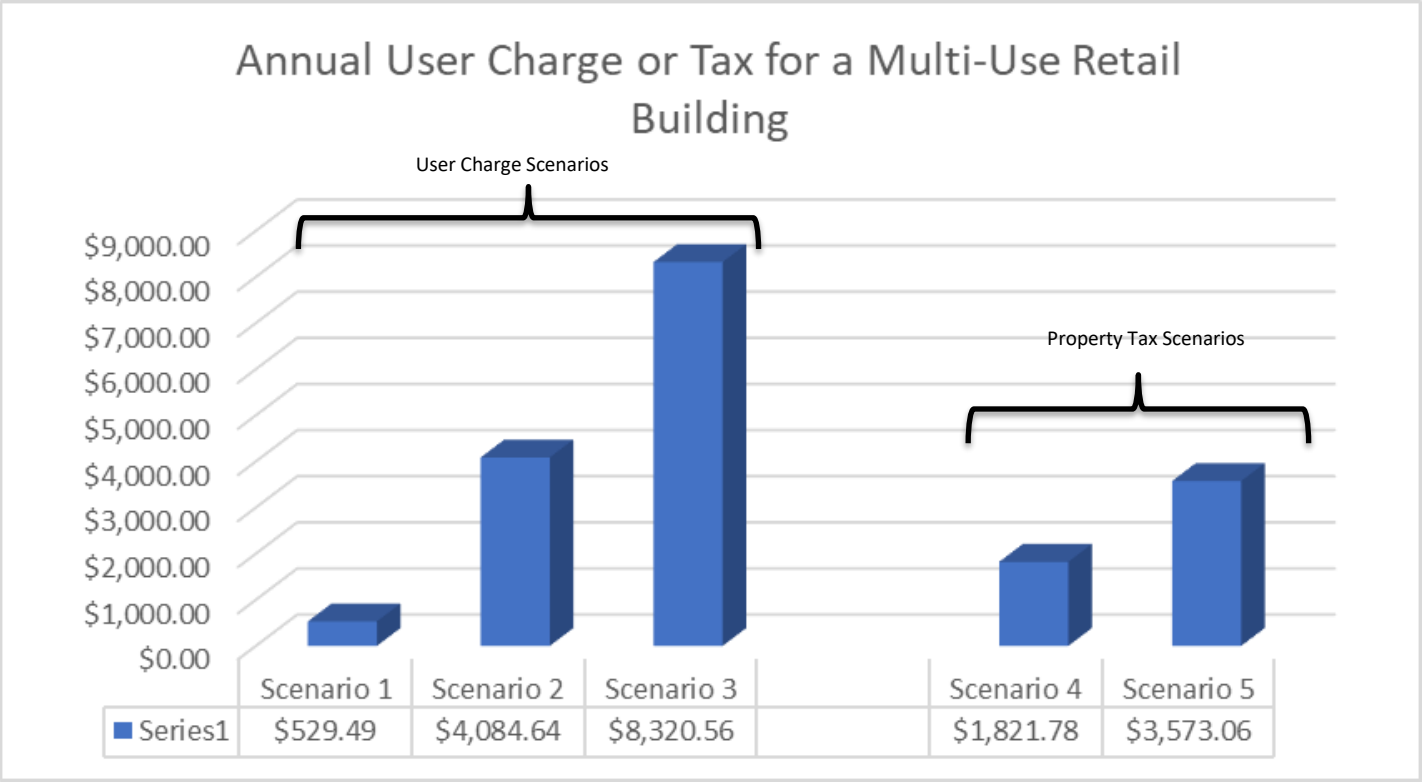
Draft Utility Charges OR Taxes for a Single-Family Home



Notes:

1. Average Single-Family Home Value is assumed at $150,000 of equalized value. The bar chart represents the maximum charge or tax over the 5-year planning period.

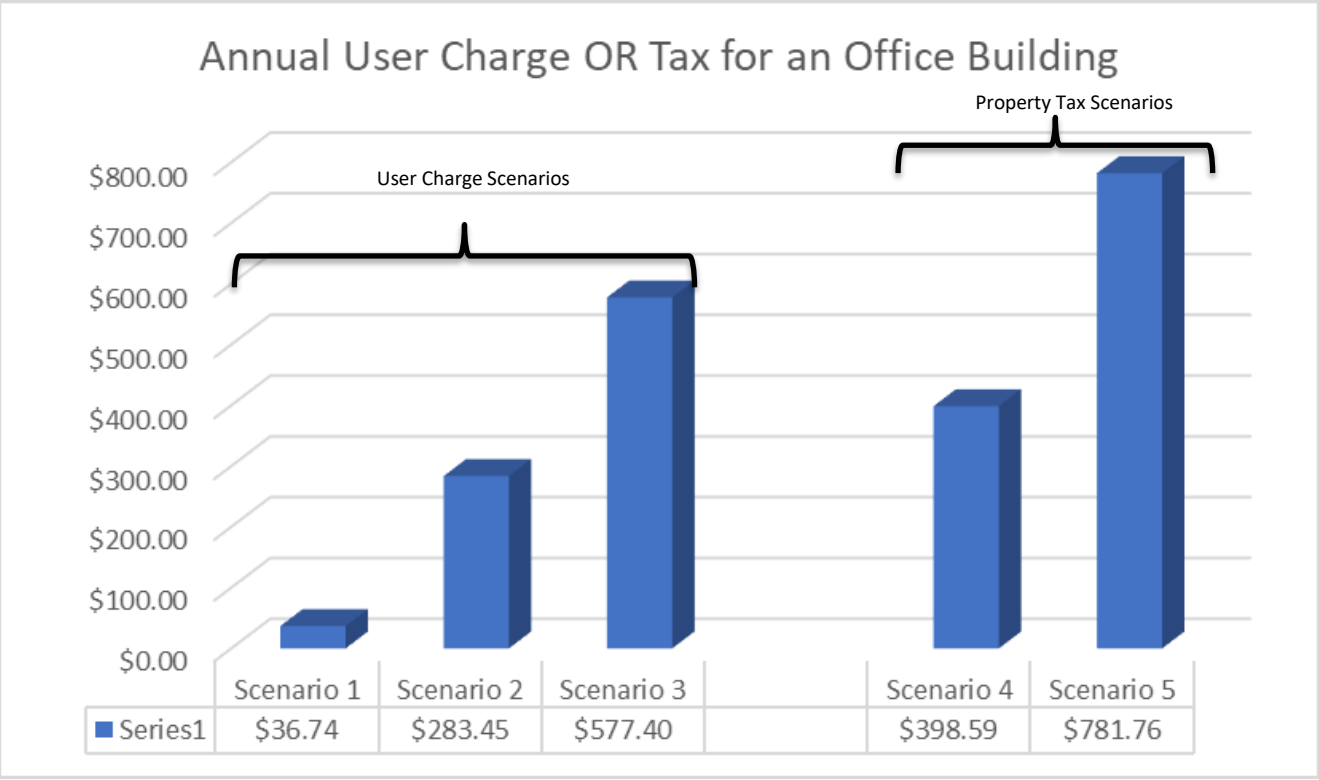
Draft Utility Charges OR Taxes for a Multi-Use Retail Building



Notes:

- Multi-use retail facility assigned 544 trips with an estimated size of 11,025 sq. feet and an estimated equalized value $1,023,000.

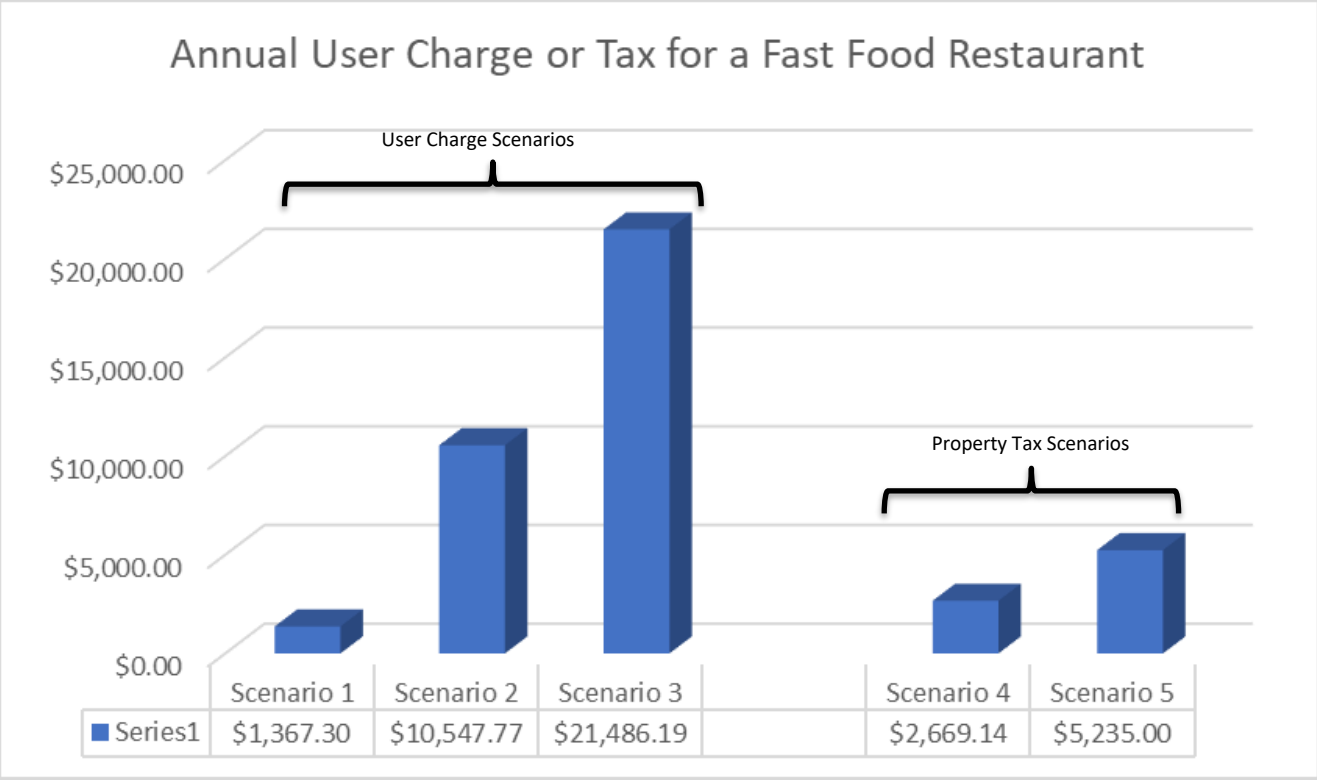
Draft Utility Charges OR Taxes for Commercial Office Building



Notes:

1. Commercial office building is assumed to be 2,800 square feet and have an Equalized Value of $224,000 of equalized value. The bar chart represents the maximum charge or tax over the 5-year planning period.

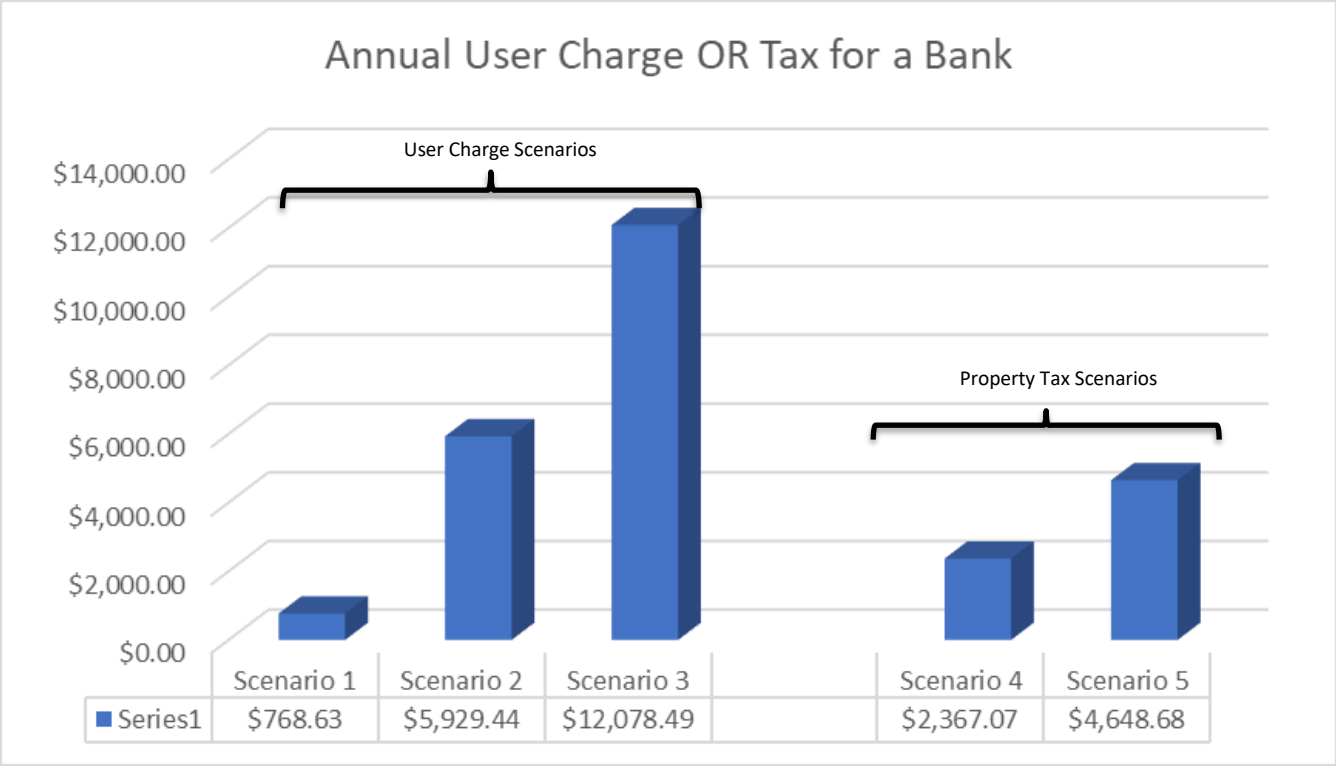
Draft Utility Charges OR Taxes for a Fast-Food Restaurant with Drive Through



Notes:

1. Fast food restaurant is assumed to be 3,000 square feet with a drive through and have an Equalized Value of $1,500,000 of equalized value. The bar chart represents the maximum charge or tax over the 5-year planning period.

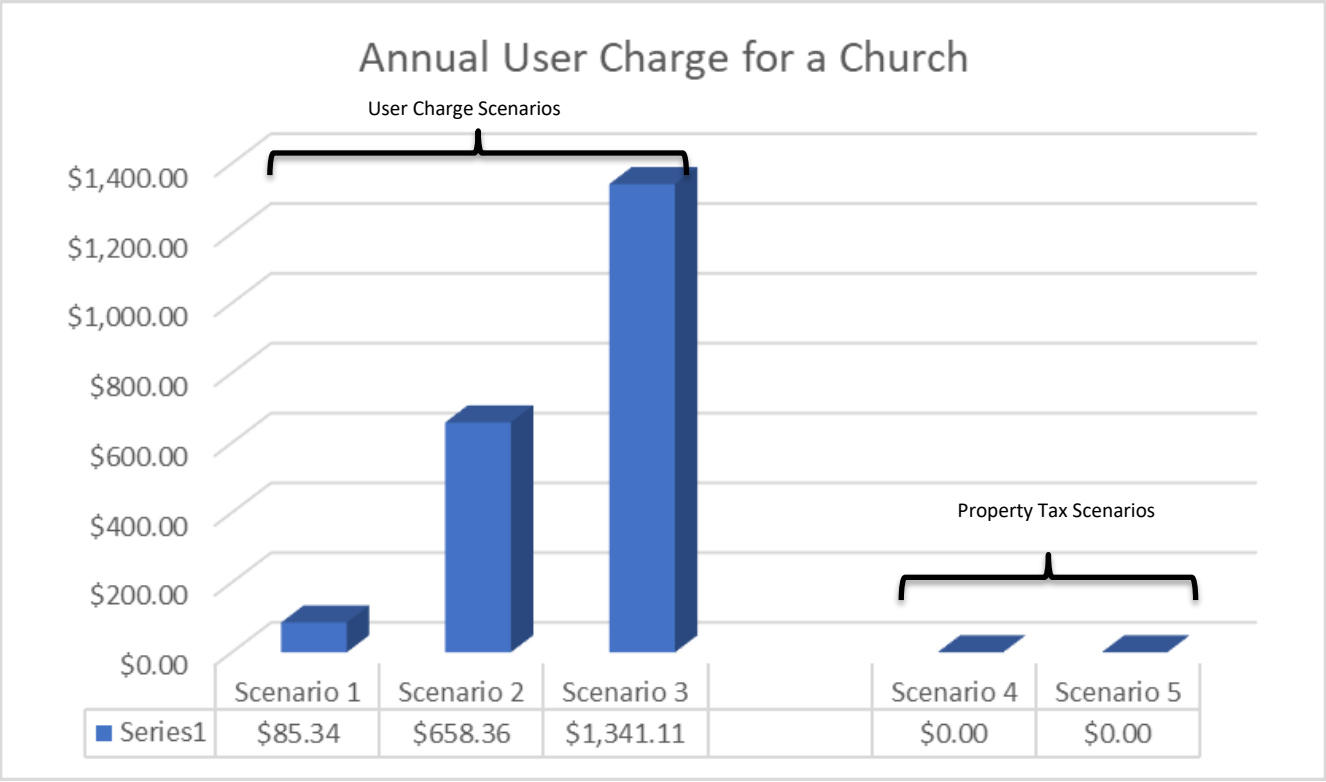
Draft Utility Charges OR Taxes for a Bank



Notes:

- Based on a 18,000 sq. foot bank facility with an estimated equalized value of 1,332,000.

Draft Utility Charges for a Church



Notes:

1. Church is assumed to be 12,000 square feet with no school. The property is tax-exempt.

Next Steps

- Council feedback and identification of preferred scenario
- Completion of written Transportation Utility Creation Study
- Development of Transportation Utility Ordinance & any applicable policies and procedures
- Refinement of utility billing database and incorporation of database into utility billing system
- Further community outreach

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