City's Review of Funding Options to Offset Street Construction and Maintenance Costs

There have been recent and growing concerns around special assessments regarding assessment of sidewalk, assessment procedures and the amount of assessments to property owners. The Council has instructed staff to perform a **review of the special assessment process and identify available funding options as a substitute for special assessments**.

The current special assessment program is meant to collect revenue from property owners whom directly benefit from the improvements to the street. This revenue is used to offset street construction and maintenance costs being paid for from the general levy. The current special assessment revenues per year are approximately $350,000 for street related items. The street replacement and maintenance program is currently budgeted at roughly $1.5 million and $800,000, respectively. Although the direct costs to property owners through assessments is high (as represented as a one-time charge) AND $2.3 million road construction and maintenance budget is considerable - the impacts of those dollars only covers 30% of a sustainable program. **With current budget amounts, a street built in 2020 may not be rebuilt until 2170, which is 100 years past its useful life.**

There are growing disparities between aging streets and the ability to keep up with the replacement need. Additionally, **it is anticipated that a $5.3 million dollar budget would be the needed amount to replace and maintain streets at a sustainable level**. This fact is an important point to consider as alternatives are reviewed.

Below you will find brief summaries of the options being considered. For a detailed report of research and considerations, click **Options – In Detail**.

Options – In Brief

Current Program
The cost to property owners are based on lineal feet of frontage along the improvement project and includes a variety of improvement types. Each of the improvements is assessed based upon cost percentages identified in the City's ordinances and policies.

Property owners are assessed:
0% of cost of replacement sanitary sewer main
0% of cost of replacement water man
20% of cost of pavement
66.6% of cost of curb and gutter
100% of cost of sidewalk
100% of cost of new or replacement sanitary leads and water services

Revenue: Approximately $350,000 per year.

Pros:

- The funding source (amount) is based on actual improvement and amount of improvement.
- It is separate from the general taxes.
- The City can collect funds from tax-exempt properties.

Cons:

- Assessments can be an expensive, one-time cost for the average homeowner.
- Assessment funds are generally from the same community tax base (excluding nontaxable properties).
- Property owners do not anticipate this expense and usually are unable to plan for it much in advance.
- It can impact project designs, as property owners are upset and less willing to discuss issues that will fix or address issues.
- Engineering staff spend considerable amounts of time inspecting, documenting, discussing, measuring and calculating special assessments, along with having many meetings and phone calls with property owners answering their questions about special
- assessments. The process is very formal with many steps and a lot of detail.
- City is on an unsustainable pace for maintaining/reconstructing city streets utilizing the current assessment program. Other funding alternatives provide additional opportunities over the current assessment program.

Vehicle Registration Fee

State law permits any municipality or county to adopt an ordinance that imposes a flat, annual vehicle registration fee, or "wheel tax," on automobiles and trucks of not more than 8,000 pounds customarily kept within that jurisdiction. Vehicles may be subject to both a municipal and a county fee. All vehicles exempt from the state fee are also exempt from local fees. There is no limit on the amount of the fee.

The Wisconsin Department of Transportation (WI DOT) collects the fee when the annual state registration fee is paid. WI DOT retains 17 cents per registration for administrative costs. The rest of the fee is remitted to the jurisdiction imposing the fee. Revenues from the wheel tax must be used for transportation related purposes. See Wis. Stat. § 341.35(6r).

Revenue: According to the WI DOT's website, there are 19,933 vehicles registered in the City of Wisconsin Rapids that are eligible for the registration fee.
Revenue Potential:

- $20 per vehicle registration = $398,660
- $25 per vehicle registration = $498,325
- $30 per vehicle registration = $597,990

Pros:

- There would be no assessment hearings.
- There would be no large assessment invoices.
- There would be little administrative effort - DOT processes registration fees and direct deposits funds to the municipality.
- The City would have flexibility in funding increases.
- It directly captures costs from users.

Cons:

- It only captures vehicles less than 8,000 lbs.
- The State retains $0.17 of each registration fee.
- Communities we talked to generally seemed to use this program as a component of street funding and not a substitute for special assessments.

Transportation Utility

Transportation Utility Fees (TUF) raise revenue through the creation of a transportation utility, similar to a public electric, sewer/water, or stormwater utility. Much like other public utilities, a transportation utility charges fees based on a customer's relative use of the utility. In other words, under a TUF, residents, public organizations, and businesses would pay a fee based on the amount of traffic they generate within the municipality's transportation/street system.

Revenue: A transportation utility presents an equitable way for the City to secure the needed funds from infrastructure users via fee-based methodology. Just as other utilities charge fees based on use, so would a transportation utility.

The revenue collected through a transportation utility can be incremented through the annual budget process to either offset the current special assessment revenue OR increase funding to move toward a more sustainable street replacement program.

Pros:

- Equitability
    - o It is based on use and would not limit to only vehicles < 8,000 lbs.
    - o It would include tax-exempt properties.
- There would be no assessment hearings.
- There would be low administrative effort once the program is set up and running.
- There would be no large assessment invoices.
- City and residents could focus on the desire/need for projects, rather than the ambition to stop projects and avoid assessment costs.
- There would be effective communication with residents to talk about and solve real problems with the design and construction of a new street without the angst and constant focus on costs.
- There would be flexibility in funding increases for a long-term, sustainable program.
- There would be consistent invoicing to properties.

- There would be no impact to tax rate.

Cons:
- The initial utility setup would require significant effort comparatively.

General Property Tax Increase

Special Assessments would cease under this alternative, and an increase in the general property taxes would occur to close the funding gap for street projects. All taxpayers would be contributing, but would not include tax-exempt properties from contributing toward road infrastructure improvements.

In considering this option and the need to offset $350,000 in revenue from special assessments there would be a tax rate increase of about 0.00033 which would change the local mill rate from 0.01209 to 0.01242. As an example, to a residential property with a $100,000 home value, the property taxes would increase by $33 per year.

In order to implement this option, a levy limit referendum with voter approval would be required to raise taxes by an equivalent amount currently obtained by special assessments.

Revenue: The revenue collected through a tax rate increase can be incremented to either offset the current special assessment revenue OR increase funding to move toward a more sustainable street replacement program.

Pros:
- There would be no assessment hearings.
- There would be no administrative effort.
- There would be no large assessment invoices.
- City and residents could focus on the desire/need for projects, rather than the ambition to stop projects and avoid assessment costs.
- There would be effective communication with residents to talk about and solve real problems with the design and construction of a new street without the angst and constant focus on costs.

Cons:
- Tax exempt properties do not contribute to the improvements.
- The tax rate is higher when compared to other communities.
- Taxes would have to increase for additional funding toward streets replacement & maintenance.

Payment in Lieu of Taxes (PILOT) for Wastewater Utility

The Waste Water Utility PILOT could provide additional revenues to the City to offset special assessment revenues to fairly spread costs of street improvements to all properties (including tax-exempt entities) and create a stable revenue stream with minimal effort. The City currently receives a PILOT from Water Works and Lighting Commission (WWLC).

The cost of PILOT payments are an effect of higher rates to utility ratepayers. The governing body that owns the utility has discretion on the appropriate amount of PILOT.

Revenue: Although the assessed value of the Wastewater Treatment Facility is not readily available, it would likely be comparable to the Water Utility with an equivalent computed tax (or PILOT) around $800,000.

Pros:

- There would be no assessment hearings.
- There is no administrative effort.
- There would be no large assessment invoices.
- City and residents could focus on the desire/need for projects, rather than the ambition to stop projects and avoid assessment costs.
- There would be effective communication with residents to talk about and solve real problems with the design and construction of a new street without the angst and constant focus on costs.
- There would be consistency between WWLC and Wastewater.
- There would be no impact to tax rate.

Cons:

- As infrastructure is replaced the PILOT increases.
- PILOT can be a disincentive to replacing aging infrastructure, because the calculation increases the PILOT as new assets are installed.
- Sewer fees would increase.
- Fees are not specific to street replacement and general offset the tax levy.

Local Sales Tax

A local sales tax was considered as a possible option to research. The initial research concluded that **the City of Wisconsin Rapids cannot enact a local sales tax**. A county or state can create a sales tax, and in some cases, cities and villages that have been designated as “premier resort areas,” such as the Wisconsin Dells.