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Transportation Utility Creation Analysis

City of Wisconsin Rapids

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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

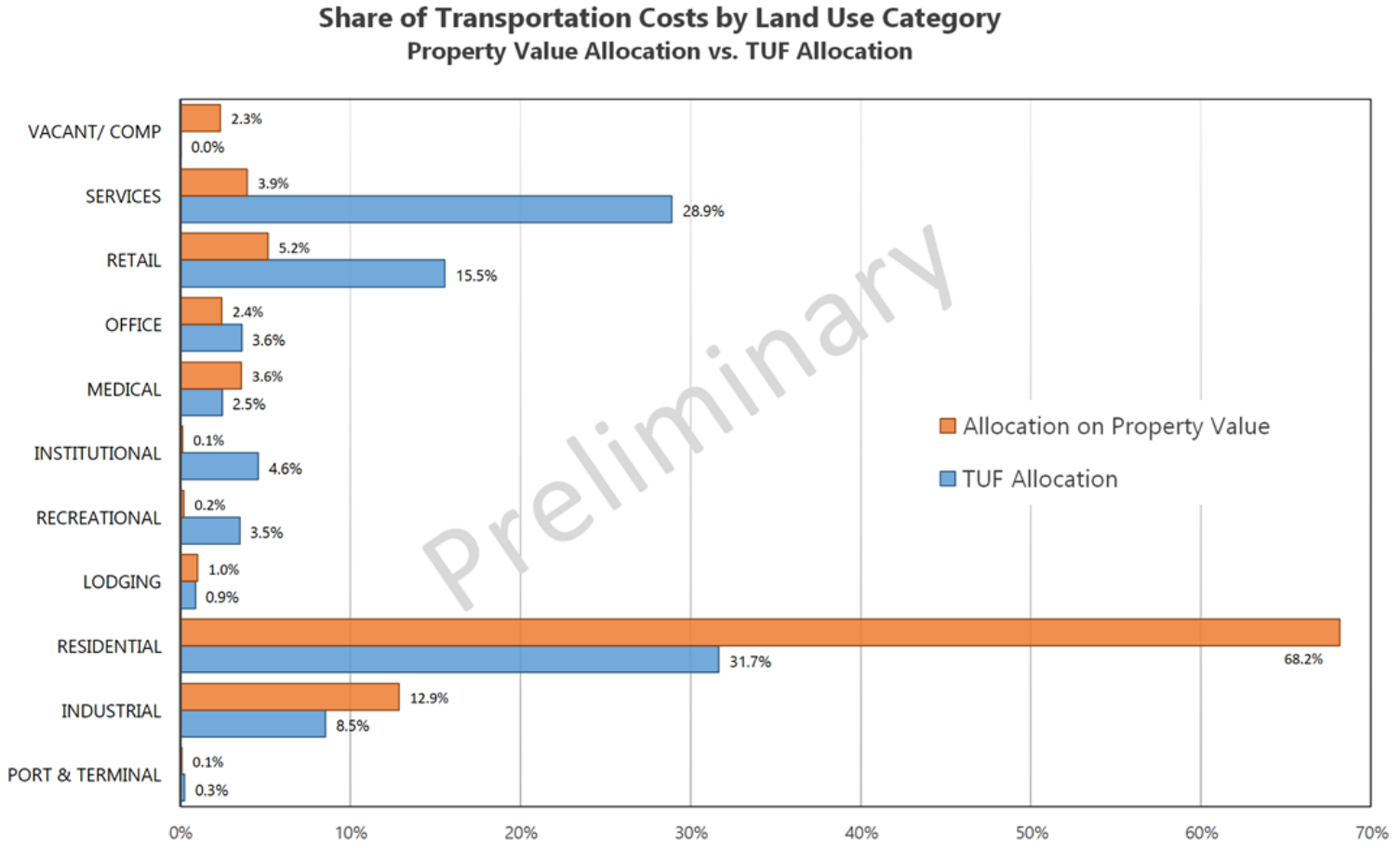
- Rate should be cost-based and equitable and set at such a level that they meet the full revenue requirements of the utility
- Rates should be easy to understand and administer
- Rates and the process of allocation costs should follow the principles of cost-causation (those who cause the costs pay the 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…

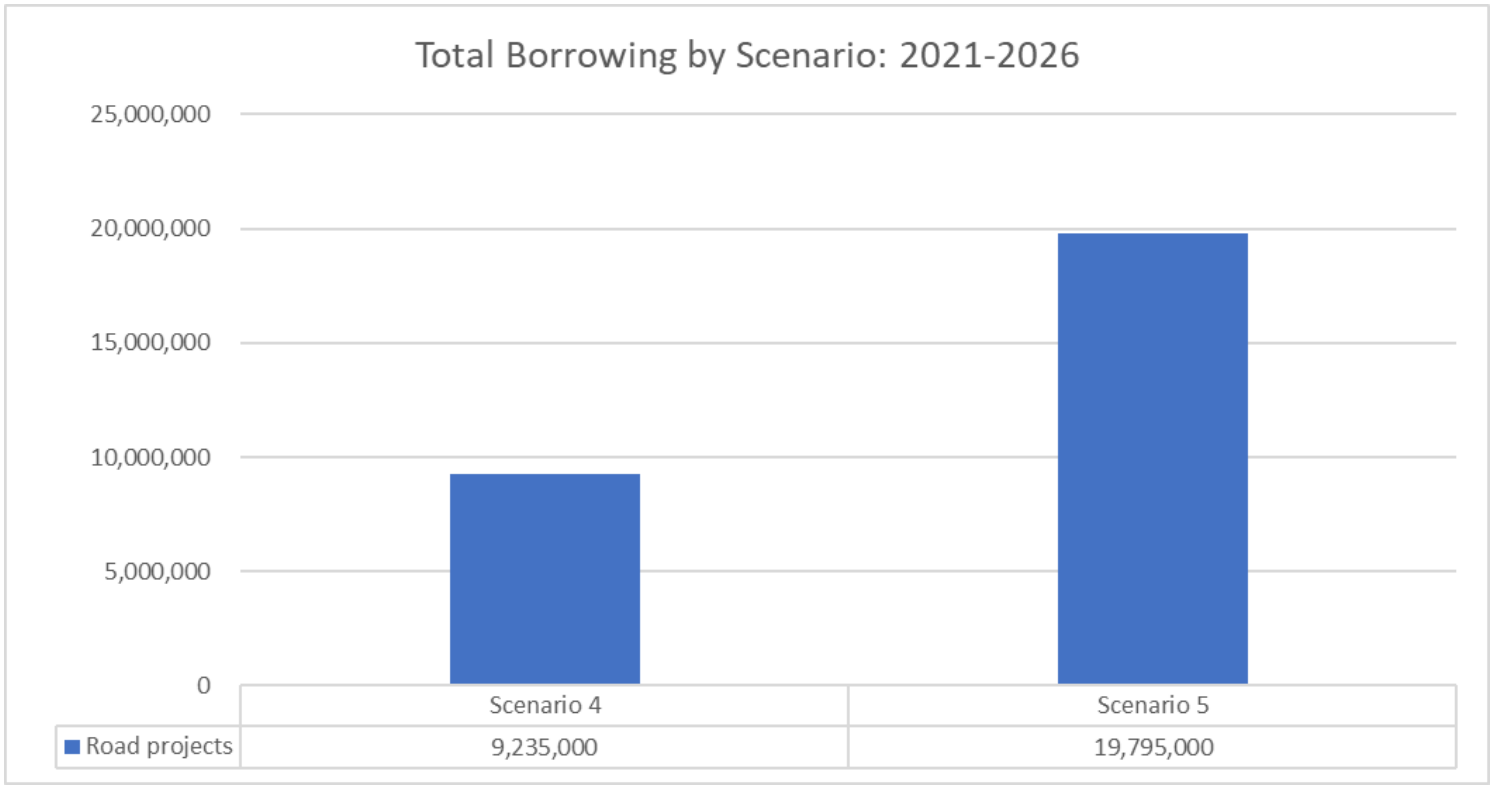
The road projects identified in the CIP will be funded via General Obligation Debt

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

2 borrowing & street levy scenarios to illustrate this point:

- ✓ 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: Levy and Tax Rate: 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	Levy and Tax Rate: Operations Levy	Scenario 5 Net Debt Service Levy	Scenario 5 Rate for Debt Service	Levy Change from Prior Year	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

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