

# MEMO:

September 20, 2021

To: Village Board  
Finance Committee  
From: Monica Hughes, Finance Director  
RE: Development of Transportation Utility versus Current Sewer Utility

During recent years it has become apparent that the Village roads will need substantial funds in upcoming years to provide a quality road infrastructure system. The standard of the roads has declined over the last 20 years for a number of reasons; rising costs, a poor asphalt mix recommended by the State DOT and used in early 2000s, levy limits, resurfacing of roads for many years that have reached a point where the base needs to be redone, and a paving budget that has been stagnant while these other factors have been growing has led the Village to a point that a major commitment to reinvestment in the roads is needed. This is not unlike most Wisconsin municipalities. In light of this rising need the Village has been exploring the development of a transportation utility. This is a relatively new type of funding that creates a user fee that matches road usage (#of trips) to a share of the planned road expenditure.

As the Village considers this funding mechanism, along with the other two options suggested by Ehlers for road funding; an increased tax levy through referendum or periodic debt issuance, I believe the Village should also consider the tax levy dollars being used to support the current sewer utility. A utility of any type is usually expected to operate with revenue generated from the users to cover operational and capital expenditures.

The Village uses the Milwaukee Metropolitan Sewage District to treat and dispose of wastewater. We are considered a 'non-member' community and thus are billed a capital charge based on our equalized value. This is an expense and annual operational cost to our sewer utility. The Village, unlike all other non-member communities, supports the majority of this charge with taxes dollars. For 2021 the tax dollars devoted to this charge were \$1,100,000 of the \$1,425,000 charge. The remainder was charged as part of the user fee. Other non-member communities include their entire MMSD capital charge on the user fee, as is standard for utilities such as water, electric and cable. A member community (within Milwaukee County) is not charged at all for MMSD services, for these communities, MMSD bills the property owner directly on their tax bill thus not effecting the municipal budget and levy.

The Village has the ability to redirect all or a portion of this levy to our roads and shift the MMSD capital charge to the current sewer utility. This would accomplish providing the funds needed without a new user fee or the need to increase the levy. While property owners would see their sewer bills increase; the sewer charge would not be unlike those of other communities.

The 2021 user fee for residents was \$367.72 plus an additional \$465 of tax levy dollars on the average valued home of \$514,500 for a total of \$832.52. If the Village had chosen to shift the entire \$1,100,000 to the user fee it would have increased the fee to \$717.96, an additional \$350.24. Redirecting \$550,000 (1/2) of these levy dollars to roads and adding that cost to the user fee would have increased the fee from \$377.78 to \$542.84 an additional \$165.06.

<b>Sewer</b>	<u>Current</u>	<u>\$1,100,000 to Road Paving</u>	<u>\$550,000 to road paving</u>
2021 residential user fee	367.72	717.96	542.84
2021 average home tax levy devoted to MMSD Capital fee	464.80	-	232.40
<b>sewer costs</b>	<b>832.52</b>	<b>717.96</b>	<b>775.24</b>
<b><u>Transportation</u></b>			
Proposed Transportation Utility fee	120.00	-	-
Tax Levy devoted to Transportation	-	464.80	232.40
<b>transportation costs</b>	<b>120.00</b>	<b>464.80</b>	<b>232.40</b>
<b>Total</b>	<b>952.52</b>	<b>1,182.76</b>	<b>1,007.64</b>

I believe the Village should consider reducing the levy dollars allocated to the sewer utility and redirect those funds to a new transportation fund without creating a transportation utility fee. The transportation fund would collect these levy dollars and segregate the funds from other operations. Funds could be maintained from year to year to be used exclusively for transportation. This would allow us to continue our operations without adding a new fee, and the increase to the sewer would be in accordance with normal utility operations and all users, including commercial and non-profit would contribute.

The village also receives aid from the state through its transportation aid program. The program reimburses for a percentage of costs incurred but any fees or grants must be deducted. An additional benefit to using the tax levy dollars formerly used by the sewer utility would be that there would be no deduction to the transportation aid program keeping our current aid levels.