



*"In the Spirit of Town Government"*

## **AGENDA MEMORANDUM**

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**To:** Honorable Town Chairperson and Town Supervisors  
**From:** Tony Brown, Town Administrator  
**Date:** January 22, 2019  
**RE:** **CIP Financing Approach – Transportation Utility Fee**

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**SUMMARY:** At the December 2018 Town Board meeting one of the future agenda items identified was a Transportation Utility Fee. A Transportation Utility Fee (TUF) is a user-based fee intended to supplement other revenue sources used to pay for the costs associated with the maintenance and operation of a transportation system. The transportation system can include streets, curb and gutter, street lights, traffic signals, signage, public transportation, summer maintenance, snow plowing, equipment, etc.

This can be a fee collected as part of a Transportation Utility. A Transportation Utility is a municipal utility district (similar to a sanitary or stormwater utility) and is a mechanism, allowed by State statute for the funding of a specific municipal service, in this case it would be for the transportation infrastructure and operating network within the Town of Buchanan.

Like any funding mechanism there is tradeoffs, some are listed below:

### Pros

- Cost equity based on the trips generated by a property
- Reliable and dedicated funding source
- Accountability since funds are dedicated to transportation system
- Fee can be increased and decreased dependent on financial need
- Reduce the level of borrowing
- Simple administration

### Cons

- Change
- Initial effort
- Higher cost for some
- New charges for tax-exempt properties
- Cannot be used as tax deduction

If adopted, Staff recommends taking a trip-generation based approach for the TUF. This model identifies trips generated by individual properties. Once a Trip Generation Rate is identified it is multiplied by the rate of one single TUF Unit.

As an example, the common trip generation rate for an apartment is 0.62 per dwelling unit(s) and assume one single TUF Unit is \$100. Let's say you have a 20 unit apartment building.

$$(\text{Apartment Trip Generation Rate} \times \text{Dwelling Units}) \times \text{Transportation Utility Fee Unit} = \text{Annual Transportation Utility Fee for Property}$$

$$(0.62 \times 20) \times \$100 = \$1,240$$

The Trip Generation Rates are defined in the Institute of Transportation Engineers, Trip Generation Manual. Using these rates (see the attached Common Trip Generation Rate Table), Staff identified a land use and assigned a TUF based on the calculated daily trips for all 2,430 improved properties in the Town of Buchanan.

General Breakdown of Improved Properties	
Zoning Designation	Amount
Multi-Family	26
Duplex	131
Commercial	224
Single-Family	2,049
<b>Total Properties</b>	<b>2,430</b>

\*This evaluation does not include manufacturing and exempt properties.

Assuming a TUF unit is \$210, approximately \$1,235,000 of TUF Revenue would be generated on an annual basis. Let's review this in context of the Annual Public Improvement Benchmark to reconstruct the 46 mile road network. If the Town were on a 35 year cycle, approximately \$2,500,000 would be need on an annual basis for project costs. With a Transportation Utility Fee the Town would be close to meeting that funding amount.

Estimated Annual Town Funding for Road Improvements including Transportation Utility Fee	
Funding Source	Amount
Buchaanan Stormwater Utility	\$ 200,000.00
General Fund Revenue	\$ 325,000.00
Road Maintenance Levy	\$ 350,000.00
Debt	\$ 375,000.00
Transportation Utility Fee	\$ 1,235,000.00
<b>Total Annual Funding</b>	<b>\$ 2,485,000.00</b>

## Questions

What is a User Charge?

Answer: The Wisconsin Public Service Commission says a “user charge” has the following criteria:

- Charges are for the services and facilities provided to customers
- The basis for the charge must be reasonably related to the cost of the service or product
- Charges must be just and reasonable
- Different classes of users may be charged different rates if the different rates can be justified
- Charges may not be unjustly discriminatory, as between rate payers

How does this differ from property taxes?

Answer: Property taxes are based on ownership and are assessed regardless of whether or not the property is being used and/or whether or not the owner is benefitting from a service. Also, exempt properties are not assessed.

What some properties that may be exempt from the user charge?

- Undeveloped properties
- Vacant properties, possibly

What is the bottom line for a single family home assessed at an average home value of \$227,700?

- Property Tax Increase
  - Owner pays additional \$426 in property taxes. Over 35 year, this would amount to \$14,910.
- Transportation Utility Fee
  - Owner pays \$210 for transportation utility fee. Over 35 years, this would amount to \$7,350.
- Special Assessment
  - Owner pays up to \$20,000 in a special assessment. The payment period may be up to 10 years.

### **POLICY/PLAN REFERENCE(S):**

### **FISCAL IMPACT:**

Is there a fiscal impact? No

Is it currently budgeted or planned? No

Amount: N/A

**RECOMMENDED ACTION:** Staff would like the Town Board’s feedback about how they would like to proceed.

One option would be to take steps to establish a TUF and Transportation Utility.

A second option would be to have an advisory referendum to get citizen feedback about alternative funding mechanisms to supplement existing funding sources.

A third option would be to table the item for further discussion.

*AWB*

**###**

**Attachments:**

- 1. Common Trip Generation Rates Table, Institute of Transportation Engineers**