

Reserve Capacity Assessment to Replace Water System Impact Fees and Special Assessments

**Public Hearings – October 11, 2022, 6:00 P.M.
Lannon, Wisconsin**

***Strand Associates, Inc.®
Trilogy Consulting, LLC***



Outline

1. Summary of RCA Policy Objectives
2. Impact Fee Ordinance Public Hearing Presentation
3. RCA Public Hearing Presentation
4. Public Hearing Q&A

Summary of Objectives – Challenge to be Addressed

The Board has sought to treat properties that connect to municipal water as equitably as possible

- Past water main was installed at a cheaper rate with more properties paying in
- USDA-RD water main connection fee is nearly double that of past water main
- The timeframe of payments due is different
- Properties that may connect to future water main face an uncertain cost to connect

Review of Past Policy Decisions and Direction to Staff

- USDA-RD Water Main Connections
 - \$15,000 special assessment in 20 annual installments
- Existing Water Main Connections
 - \$7,923 Impact Fee due in full at time of connection
- Board placed a moratorium on the collection of impact fees
- Directed Trilogy to study the potential to convert the impact fee to an RCA
- Trilogy, von Briesen, Strand, and Trustee Yates participated in review meetings over the past 3-4 months to further develop the RCA option

Review of Past Policy Decisions and Direction to Staff – Continued

- Village Board adopted a preliminary resolution on 9/12/22 to proceed with the RCA
- Directed Staff to publish reports
 - Available at Village Hall & the Village's Website
- Scheduled a Public Hearing
 - Menomonee Falls Now (Milwaukee Journal) – 9/21/22 & 9/28/22
 - Mailer (EDDM) sent 9/15/22
 - Mailer (First Class) sent 9/29/22 to individual property owners based on Waukesha Co. property tax records as of 9/28/22

Mailer Overview – How Does this Affect Me?

Overall Expected outcome: Single, unified connection fee (RCA) that will be \$7,923 in 2022.

- **I was special assessed \$15,000:** Your special assessment will be reduced to \$7,923.
 - Installment Option: Any previous paid annual installment will be credited toward your balance and the remainder will be payable over the remaining 19 annual installments
 - If you paid in full, the after-credit balance will be refunded to you.
- **I live on Main St. or have existing water main and was told I need to pay an impact fee:** The RCA dollar amount will be the same \$7,923. This can be paid in full or be added to your tax bill and paid in 20 annual installments.
- **I have vacant land or no plumbing:** The RCA will be deferred until connection. If you were special assessed, payments made will be refunded. The RCA fee will be upwardly increased to the year of actual connection based on the construction cost index.

Mailer Overview – How Does this Affect Me?

- **I live in Lannon Estates:** Individual units were never charged a water impact fee or special assessment by the Village, and you will not be charged an RCA either.
- **I live in a new development (i.e., Whispering Ridge Estates, Overstone, Rock Pointe Village):** Either you or your builder paid an impact fee when you connected and you will not be charged an RCA fee for water.
- **I was a water customer before 2021 (i.e., Whispering Ridge Condos, select properties on Main St. or Lannon Road):** Either you or your builder paid an impact fee when you connected and you will not be charged an RCA fee for water.
- **I don't have water main yet (i.e., Lannon Village Hills, W. Good Hope Rd., Custer Lane):** The RCA fee locks in the amount at \$7,923 for 2022, and the fee is expected to go up each year according to the Construction Cost Index. You will pay the fee for the year you connect.

How Can the RCA Fee be so Different than the Special Assessment Fee?

- The \$15,000 special assessments were calculated strictly with the USDA water main costs and the number of connections to that main
- Since that time...
 - USDA project is tracking approximately \$1M under budget
 - Frees up \$1M grant money to spend on future water infrastructure
 - Significant impact fees collected from new development
 - TID performance is projected to outpace plans (\$60M of increment created in the last 4 years)
 - TID 1 & TID 2 were amended in August 2022, and project plans include significant water main, source supply, and storage project costs
- Considering the future build-out cost of the system allows those who recently connected to take advantage of future offsets

Impact Fee Ordinance Public Hearing Presentation

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Impact Fee Ordinance

1. Existing Lannon Ordinance Chapter 63
2. Summary of Impact Fees Collected
3. Amendment / Repeal

Existing Impact Fee Ordinance

- Wisconsin Statute §66.0617 governs impact fees
 - Impact fees must be spent for the facilities listed in the impact fee study
 - Impact fees must be paid in full at the time of building or plumbing permit
- Village Ordinance Chapter 63 addresses impact fees
- Amendments require a public hearing

History of Lannon Impact Fees

- 1997 – limited amount of watermain constructed, not put into use, no customers or connection charges
- 2008 – Village installed more watermain, Whispering Ridge contributed watermain, well, reservoir, and pumping station
 - 2 impact fee zones – one for system-wide facilities, one for 8” equivalent cost of watermain
- 2018 – Strand updated the water impact fee study; added a 3rd impact fee zone for properties connecting to watermain constructed in 2008 under construction bid alternates
- 2019 – Village extended watermain to serve Lannon Elementary School; School District funded most of the cost; abutting properties paid impact fees to connect
- 2020 – Strand updated the water impact fee study to include portion of 2019 project not funded by the School District; combined the 2nd and 3rd zones into one impact fee
 - Study included costs for limited future watermain oversizing and additional elevated storage

Summary of Impact Fee Revenues and Costs

Table 7 - Summary of Impact Fee Revenues and Costs

- Impact fee accounting presented in Trilogy Consulting, LLC Report
- “Report on Proposed Reserve Capacity Assessments for Water System Improvements”

	Amount
Impact Fee Revenues to Date	\$2,880,372
Costs Incurred to Date	
2007 G.O. Bonds Debt Service	\$1,241,211
2017 G.O. Bonds Debt Service - 2018 - 2022	\$613,235
2019 Water Main Extension	\$88,049
Impact Fee Share of Lannon Estates Well	\$321,847
Total	\$2,264,342
Net Impact Fee Funds to Date	\$616,030
Future Committed Costs	
2017 G.O. Bonds Debt Service - 2023 - 2027	\$616,030
Net Impact Fee Funds	\$0

Recommended Amendment / Repeal of Chapter 63

- October 2021 Trilogy report, “Review of Cost Recovery Methods for Water System Capital Projects” recommended replacing the impact fees with RCAs for existing structures connecting to pre-2021 watermain only
- Based on additional evaluation of past, present, and future costs and funding sources for water system expansion, the current recommendation is to replace impact fees and special assessments with RCAs for all new connections
- Impact fees are proposed to be terminated at the same time as RCAs are adopted
 - Impact fees already collected used to pay off debt from 2008 projects
 - Future improvements listed in 2020 study will be included in the RCAs
- All properties charged the same RCA going forward; all properties can pay in installments unless subject to a development agreement

Reserve Capacity Assessment Public Hearing Presentation

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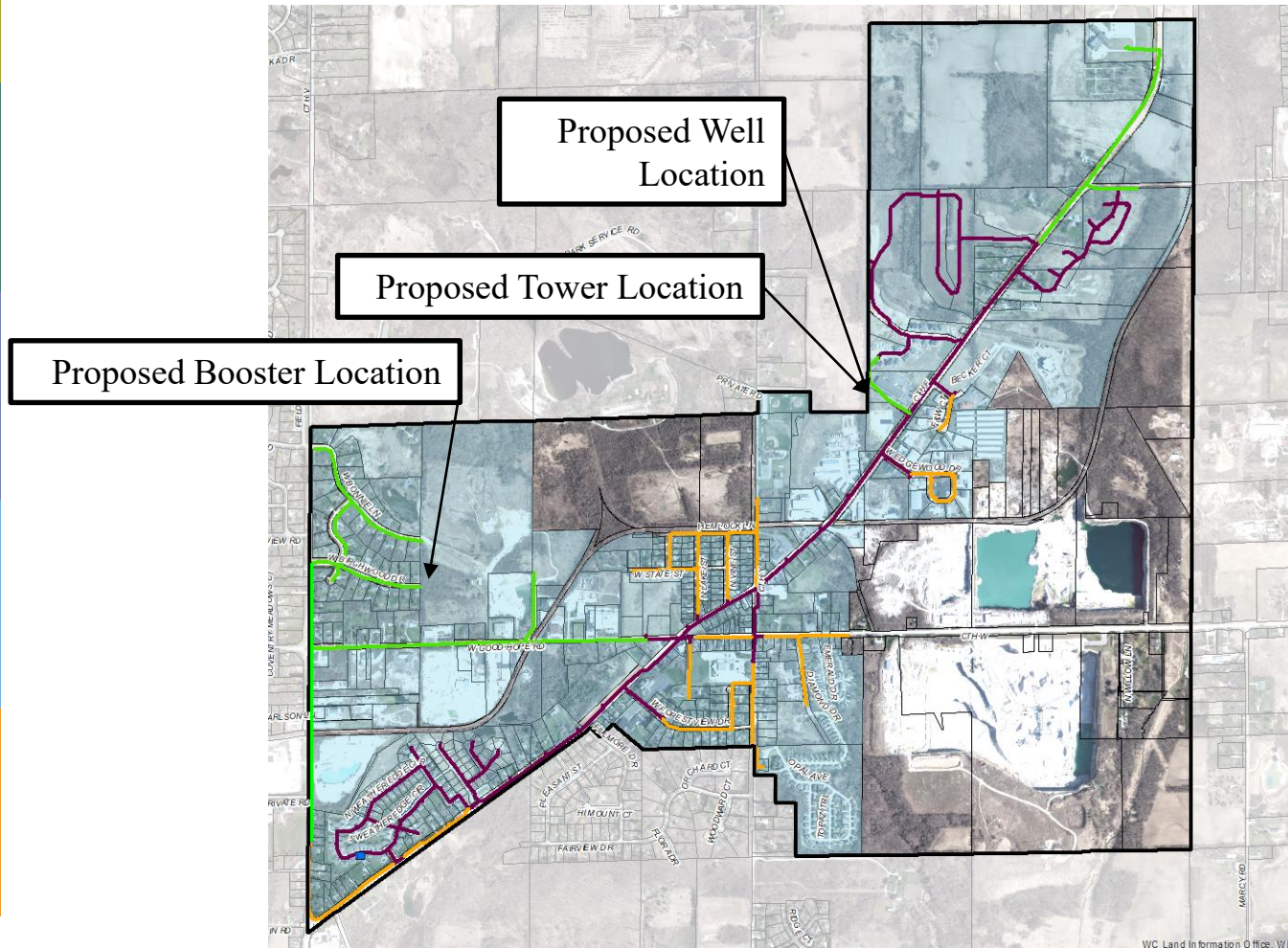
Reserve Capacity Assessment (RCA)

1. Authority to Impose RCA (Same as the Imposition of a Special Assessment)
2. Proposed Improvements
3. RCA Calculation
4. RCA Fee Schedule

Authority to Impose Special Assessment

- Wisconsin Statutes §66.0701 and §66.0703 govern special assessments
- §66.0701(2) allows enactment by police powers for “the health, safety, and welfare of the public.” See also §62.11(5).
- §66.0703 requires that the assessment be
 - Based on a reasonable basis
 - Benefits must be distinct to the properties being assessed

Proposed Improvements – Map



Proposed Improvements – Description

- 2021 USDA-RD Water System Expansion Project
 - 16,872 Feet of Water Main
 - Portion of Well Facility Upgrades
- Future Water Main: 16,450 Feet of Water Main (Approx.)
- Future Source & Supply:

Facility Name	Description	Anticipated Year Required
Third Source of Supply	Deep Aquifer Well with Treatment (500 gpm) or Interconnect to Neighboring System	2024
Water Tower	Elevated Storage–250,000 gallons	2026
Lannon Village Hills Booster Station	Booster Station and PRV–25 to 50 gpm pump for normal daily demands	2030 to 2040

Table 2.03-3 Proposed Water Supply and Storage Facilities

Proposed Improvements – Cost

Project Name	Cost
2021 Water Main Improvements	\$7,466,870
Future Water Main Improvements	\$6,700,000
Future Supply and Source Improvements	\$5,800,000
Total OPC	\$19,966,870

Table 2.04-4 Future Improvements

- Note: Future costs are an opinion of probable construction cost in 2022 dollars.

Proposed Improvements – Total Cost Offsets

Funding Source	Cost Offset
USDA Grant Funds	\$3,493,000
Village Contributions to the USDA-RD Loan	\$143,000
TID 1 & 2 Project Plan Related to Water	\$8,320,000
Total Offset Funds	\$11,956,000

Table 2.05-1 Project Cost Offsets

- Note: TID 2 will close by 2045 and the proposed improvements and their offsets are expected to be complete by 2045.

Proposed Improvements – Balance to be Assessed through the RCA

$$\begin{aligned} \text{Total Amount to Assess} &= \\ (\$19,966,870) &- (\$11,956,000) \\ &= \$8,010,870 \end{aligned}$$

outside of the 13 growth areas
part of the water service area
the RCA and are projected to
connections to the water system
. Should water service be
such areas, the RCA should be

RCA Calculation – Number of Connections by 2045

Area	Description	Future Buildings	Existing Structures	Total
1a	2021 Water Main Project Area: Properties within USDA Project Area (existing structures required to connect to new water mains, includes Lannon Estates at 20 EMCs)	0	181	181
1b	2021 Water Main Project Area: Three existing structures without plumbing, no service line installed, and not expected to connect by 2045 counted as 0 EMCs	0	0	0
1c	Vacant Lots on Existing Main: Vacant lots with a service line installed and expected to connect by 2045	8	0	8
1d	Existing Structures on Existing Water Main: 53 existing structures abutting 1997, 2008, or 2019 water main required to connect counted as 1 EMC	0	53	53
2	Barnes and Blaze Property: Projected as three units per acre in 2018 Water Impact Fee Study	38	0	38
3	TID 2 Central Residential: Quartaro property projected as 36 units; existing buildings one EMC each	36	3	39
4	Good Hope Road and Town Line Road: Existing structures counted as one EMC; Quarry properties not counted; WE Energies site counted as one EMC	0	23	23
5	Cawley Farm: Restoration plan indicates 100 dwelling units; Dudovich Drive counted as three EMCs; two existing commercial properties on Good Hope Rd. counted as one EMC.	101	4	105
6	Lannon Village Hills: Existing structures counted as one EMC	0	45	45
7	Halquist Greenfield: No growth anticipated by 2045	0	0	0
8	Circle S Storage and Joeck's Park: Circle S counted as one EMC because of no anticipated development by 2045; park counted as one EMC	0	2	2
9	Rams Contracting: 5.5 acres of commercial development anticipated and counted as one EMC per acre; contractor's yard will remain	6	0	6
10	Overstone Phase 3: 69 units remain to be connected as of the drafting of this report	69	0	69
11	Northeastern Area: Existing structures counted as one EMC; 2.5 units per acre projected for 60 acres of buildable area by 2045; cemetery not expected to connect; church assumed to be a 1-IN meter; 7 existing structures counted as 1 EMC	150	9	159
12	Overstone Menomonee Falls: No connections to Lannon utilities anticipated.	0	0	0
13	Whispering Ridge Estates North: 13 properties remain to be connected as of the drafting of this report	13	0	13
Total		421	320	741

RCA Calculation – Fee Per Equivalent Meter Connection

$$\begin{aligned} RCA\ Fee &= \frac{(\$8,010,870)}{741\ eq.meters} \\ &= \$10,810.89\ per\ EMC \end{aligned}$$

RCA Schedule – Reduction for the Benefit of All Equivalent Meter Connections

- Waukesha County Community Foundation Quarry Grant Fund
- Contribution Request of \$2,298,386.49
 - \$63,866.49 more than previous Special Assessment contribution
 - Within the contingency amount of the WCCF
 - Less than previously assumed Impact Fee Contribution by WCCF
- Reduction of \$2,887.89 per EMC
- Resulting RCA Fee Amount:

= \$7,923 per EMC

RCA Schedule – Typical Property with 1 EMC

- Applies to former Impact Fee Zone 2 properties
 - Mostly along Main St.
 - Board imposed a moratorium on the collection of an impact fee
- \$7,923 RCA Fee
- 20-Year Annual Installment Option
 - 2.25% Interest
 - \$496.31 annual payment (\$396.15 principal, \$100.16 interest)
 - Automatically added to property tax bill
 - \$9,926.20 total payment (\$7923 principal, \$2,003.20 interest)

RCA Schedule – Previously Assessed \$15,000 for 1 EMC

- Applies to USDA-RD project water main properties
- If previously paid in full or an amount in excess of \$7,923
 - The balance will be refunded

RCA Schedule – Previously Assessed \$15,000 for 1 EMC

- If paid the first annual installment of \$939.63 on tax bill
 - Previous paid amount will be credited to the remaining balance
 - Previous installment: \$750.00 principal, \$189.63 interest
 - Principal balance: \$7,173.00
 - Interest balance: \$1,813.57
- Distributed over 19 remaining annual installments
 - \$472.98 (\$377.53 principal, \$95.45 interest)

RCA Schedule – Previously Assessed \$15,000 for 1 EMC

- If paid another amount not listed
 - Previous paid amount will be credited to the remaining balance
 - Special calculation will be done for that situation

RCA Schedule – Deferred Assessments

- RCA Fee will be deferred until the time of connection to the municipal water system
- If water main is available but there is no structure, or a structure with no plumbing, the assessment will be deferred until the time of connection
- The RCA fee will be increased to the year in which the connection takes place
 - Base year and fee: 2022; \$7,923
 - Village Board will set the RCA fee for the year each January
 - Construction Cost Index (from ENR)

RCA Schedule – Example Deferred Assessment Fees

Year	Potential RCA Fee Based On Historic Trend*
2022	\$7,923
2023	\$8,478
2024	\$9,071
2025	\$9,434
2026	\$9,811
2027	\$10,204
2028	\$10,612
2029	\$11,036
2030	\$11,478
2031	\$11,937
2032	\$12,414
2033	\$12,911
2034	\$13,427
2035	\$13,964
2036	\$14,523
2037	\$15,104
2038	\$15,708
2039	\$16,336
2040	\$16,990
2041	\$17,669
2042	\$18,376
2043	\$19,111
2044	\$19,876
2045	\$20,671

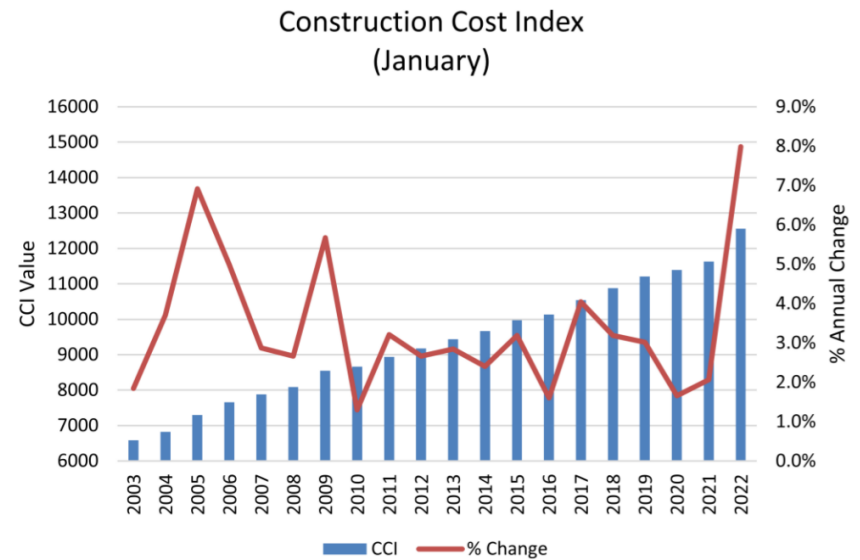


Figure 4.03-1 Historic CCI for the Month of January

- Example schedule assumes 7% increase in 2023 & 2024; 4% thereafter

RCA Schedule – Vacant Land or No Plumbing and Previously Paid an Assessment

- Previous amounts paid will be refunded
- Village Board will consider policy of how to refund properties that previously paid where the ownership has changed.

Next Steps & Schedule

1. Target Implementation by 10/31/22 so savings take affect on next property tax bill (November/December)
2. Adopt final resolution levying RCAs / Repeal Chapter 63
3. Publish Final Resolution
4. Mail copies of Final Resolution
5. Adopt ordinance codifying the Village's RCA policies

Public Comment

- Use the microphone
- Name & address
- Questions in groups of 3-5
- Questions should pertain to the impact fee or RCA
- Everyone will get a chance to ask a question

Close of Public Hearing

