Date: October 7, 2020

To: Finance Committee

From: Rodney J. Scheel - Director of Planning & Development
Jamin Friedl – Director of Finance/Comptroller
Brett Hebert – Public Works Director

Subject: Transportation Utility Fees & Special Assessments.

The Common Council has requested a review of the City's future use of special assessments related to sidewalk and street construction projects. This represents a summary of information, options and a staff level recommendation.

Use of Special Assessments in Stoughton

In general, the City assesses property owner 50% of the cost of sidewalk and curb and gutter work. Property owners are responsible for 100% of driveway aprons, carriage walks, retaining wall repair and the bottom four feet of retaining wall. Therefore, the community as a whole covers 50% and the specific property owner covers 50% as a benefitting property for items assessed at 50%. Using the assessment process, the property owner is allowed to make equal annual installments based on the amount of the assessment. The interest rate is generally favorable due to the City's ability to secure attractive financing. This has been the practice for 20 plus years.

Alternatives to Special Assessments

The City of Neenah has created a transportation utility and established a fee system called the Transportation Assessment Replacement Fee (TARF). The City Attorney reviewed their system, which has not been widely used, and after review staff does not recommend this approach. In essence it creates another fee system that will require development and administration costs.

Another option is to not charge any special assessments for certain items. It is unlikely we could discontinue charging special assessments for all items. Further discussion will be necessary if we are directed to discontinue special assessments for some or all items. Ordinance amendments would be necessary as well.

Impacts if special assessments are not used

If we do choose to eliminate the special assessments, it will eventually have a major impact on the following:

- Ability to adjust for spikes in debt service requirements/declines in equalized values to minimize the impact on the mil rate.
- Ability to achieve CIP objectives by utilizing excess special assessment amounts.
- Ability to push through future budget amendments with ease using excess special amounts.

In addition, hundreds of property owners have been subject to the City's long-standing practice of using special assessments. These property owners will likely resent a change that no longer imposes similar costs on property owners.

Recommendation

The impact of special assessments on property owners is not taken lightly. The existing cost sharing allocations provides some relief to property owners using a defined process. For 2020, the City Council authorized adjustments to the payment terms. We support potential changes to payment terms but recommend the current use of special assessments be continued.

If you have any questions, please contact us.

	A	A	B	B	C	C	Including 2021-2025 Special Assessments			Excluding 2021-2025 Special Assessments			D	
	Interest - Existing	Principal - Existing	Interest - 2020	Principal - 2020	Interest - Future	Principal - Future	Total Interest	Total Principal	Total	Total Interest	Total Principal	Total	Lost Cash Flow	
2021	$ 14,070	$ 62,198	$ 8,586	$ 22,392			$ 22,656	$ 84,590	$ 107,246	$ 22,656	$ 84,590	$ 107,246	$ -	2021
2022	$ 11,864	$ 57,125	$ 7,803	$ 21,401	$ 4,705	$ 13,443	$ 24,371	$ 91,970	$ 116,341	$ 19,666	$ 78,527	$ 98,193	$ (18,148)	2022
2023	$ 9,845	$ 54,627	$ 7,054	$ 21,401	$ 13,331	$ 39,433	$ 30,230	$ 115,461	$ 145,691	$ 16,899	$ 76,028	$ 92,927	$ (52,763)	2023
2024	$ 7,917	$ 53,402	$ 6,304	$ 21,401	$ 20,138	$ 62,825	$ 34,359	$ 137,629	$ 171,988	$ 14,221	$ 74,804	$ 89,025	$ (82,963)	2024
2025	$ 6,031	$ 44,609	$ 5,555	$ 21,401	$ 29,661	$ 96,315	$ 41,247	$ 162,326	$ 203,573	$ 11,586	$ 66,010	$ 77,597	$ (125,976)	2025
2026	$ 4,456	$ 41,816	$ 4,806	$ 11,732	$ 37,865	$ 129,388	$ 47,127	$ 182,935	$ 230,063	$ 9,262	$ 53,547	$ 62,809	$ (167,253)	2026
2027	$ 2,992	$ 38,294	$ 4,396	$ 11,732	$ 33,337	$ 129,388	$ 40,724	$ 179,414	$ 220,139	$ 7,388	$ 50,026	$ 57,414	$ (162,725)	2027
2028	$ 1,652	$ 34,114	$ 3,985	$ 11,732	$ 28,808	$ 129,388	$ 34,445	$ 175,234	$ 209,679	$ 5,637	$ 45,846	$ 51,483	$ (158,196)	2028
2029	$ 458	$ 13,077	$ 3,575	$ 11,732	$ 24,280	$ 129,388	$ 28,312	$ 154,197	$ 182,508	$ 4,032	$ 24,809	$ 28,841	$ (153,668)	2029
2030			$ 3,164	$ 11,732	$ 19,751	$ 129,388	$ 22,915	$ 141,120	$ 164,035	$ 3,164	$ 11,732	$ 14,896	$ (149,139)	2030
2031			$ 2,753	$ 11,732	$ 15,222	$ 129,388	$ 17,976	$ 141,120	$ 159,095	$ 2,753	$ 11,732	$ 14,485	$ (144,610)	2031
2032			$ 2,343	$ 11,732	$ 10,694	$ 115,945	$ 13,036	$ 127,677	$ 140,713	$ 2,343	$ 11,732	$ 14,075	$ (126,639)	2032
2033			$ 1,932	$ 11,732	$ 6,636	$ 89,955	$ 8,568	$ 101,687	$ 110,255	$ 1,932	$ 11,732	$ 13,664	$ (96,591)	2033
2034			$ 1,521	$ 11,732	$ 3,487	$ 66,563	$ 5,009	$ 78,295	$ 83,304	$ 1,521	$ 11,732	$ 13,253	$ (70,050)	2034
2035			$ 1,111	$ 11,732	$ 1,158	$ 33,073	$ 2,268	$ 44,805	$ 47,073	$ 1,111	$ 11,732	$ 12,843	$ (34,230)	2035
2036			$ 700	$ 4,001			$ 700	$ 4,001	$ 4,702	$ 700	$ 4,001	$ 4,702	$ -	2036
2037			$ 560	$ 4,001			$ 560	$ 4,001	$ 4,562	$ 560	$ 4,001	$ 4,562	$ -	2037
2038			$ 420	$ 4,001			$ 420	$ 4,001	$ 4,422	$ 420	$ 4,001	$ 4,422	$ -	2038
2039			$ 280	$ 4,001			$ 280	$ 4,001	$ 4,282	$ 280	$ 4,001	$ 4,282	$ -	2039
2040			$ 140	$ 4,001			$ 140	$ 4,001	$ 4,141	$ 140	$ 4,001	$ 4,141	$ -	2040
	$ 59,283	$ 399,262	$ 66,989	$ 245,323	$ 249,072	$ 1,293,880	$ 375,345	$ 1,938,465	$ 2,313,809	$ 126,273	$ 644,585	$ 770,858	$ (1,542,952)	

A - Represents existing special assessments assuming all outstanding balances are paid per the existing amortization schedules
B - Represents the preliminary 2020 project special assessments assuming these will be paid per the offered amortization periods
C - Represents 2021-2025 budgeted special assessments assuming a 10 year payback
D - Represents forecasted loss in annual cash flows using the assumptions noted above

Notes:
- Only factors in special assessments for 2021-2025. The loss of revenues if special assessments are terminated will be perpetual in nature and impossible to forecast with any amount of accuracy.
- The 2021-2025 special assessments are simply budgeted at this point and may decrease/increase over time.
- The overall annual cash flows and ultimate impact will vary depending on whether or not individuals follow the offered amortization periods and is impossible to account for with any amount of accuracy.