

**COMMISSION FILE NO:** 16-148-11 **DATE INTRODUCED:** November 14, 2016

**INTRODUCED BY:** Executive Director (Signature on File in the Office of the Commission)

**REFERRED BY COMMISSION CHAIRPERSON TO:** Policy, Finance, and Personnel Committee

**RELATING TO:** Authorizing 2017 Capital Charges to Non-Member Communities

**SUMMARY:**

The Commission is requested to authorize the Executive Director to transmit bills for 2017 capital charges to customer communities outside the District.

Annually, the District bills customer communities outside the District's boundaries ("non-member communities") for their share of capital budget expenditures. Since September 6, 1984, when the Commission adopted a policy specifying a system of uniform charges, the District's charges have been based on the equalized valuation of property.

On September 11, 1996, the Public Service Commission ruled that capital charges related to watercourse improvement projects can only be collected from those non-member communities that are partially or wholly within an affected watercourse's drainage basin. This ruling requires annual modifications to the amounts charged these communities.

Staff recommends that the Executive Director be authorized to bill the non-member communities for 2017 and to provide the appropriate credits for watercourse and flood management projects.

The amount of the credits for watercourse and flood management projects is based on the 2017 budgeted amounts for these projects. The District will issue an additional charge or credit to each non-member community in the year 2018 for 2019 capital charges, after the actual expenditures for 2017 are finalized. The District will use the same equalized value in calculating this charge or credit as was used in calculating the 2017 capital charge.

**ATTACHMENTS:** **BACKGROUND** ☐ **KEY ISSUES** ☐ **RESOLUTION** ☒  
**FISCAL NOTE** ☐ **S/W/MBE** ☐ **OTHER** ☒ Capital Rate Chart

*PFP\_CapitalChargesNonMemberCommunities2017\_legislative\_file.docx*  
11-02-16

**COMMITTEE ACTION:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

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## SUMMARY (Cont'd)

### Authorizing 2017 Capital Charges to Non-Member Communities

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As shown in Table 1, estimated 2017 charges of \$30.9 million to non-member communities represent an increase of 2.1% or \$632,874 from the 2016 level of \$30.3 million. The estimated billing increase of \$632,874 reflects the following factors:

• 2.7% Increase in Non-Member Equalized Value	\$736,251
• 0.4% Increase in District Tax Rate (\$1.74 to \$1.75)	125,852
• Change in Watercourse Credit	3,164,924
• Increase from Prior Year Adjustment	<u>(3,394,153)</u>
Estimated Increase in Capital Charges	<u>\$632,874</u>

Non-member tax rates for 2017 capital charges are expected to range from \$1.48 to \$1.59/\$1,000 equalized value, as compared to the \$1.75 tax rate billed to member communities.

In future years, projected watercourse and flood management credits are expected to keep the capital rates for non-member communities below the rate charged to District member communities. The attached chart, "Capital Rate for Non-Member Communities", shows the weighted average annual capital rate for these communities as a whole from 2013 through 2016 with projections through 2022. The average capital rate of \$1.511/\$1,000 equalized value for non-member communities in 2017 reflects the 2.5% increase in the 2016 District tax levy for 2017 purposes. The District tax levy is projected to increase 4% for 2018 and each year thereafter with property values in member and non-member communities increasing 3% per year for 2018 and each year thereafter.

District staff either e-mailed or met with municipal officials of non-member communities in September and October to brief them on capital rate projections in the District's proposed 2017 Capital Budget and long-range financing plan.

## SUMMARY (Cont'd)

### Authorizing 2017 Capital Charges to Non-Member Communities

**Table 1**  
**2017 Estimated Capital Charges\***

Municipality	2016 Capital Charges	Capital Charges for 2017			
		From 2017 Budgeted Expenditures	From 2015 Watercourse Adjustment	2017 Capital Charges Total	Percentage Increase (Decrease)
Village of Butler	\$335,664	\$332,312	(\$3,221)	\$329,091	-2.0%
Village of Caledonia	\$46,891	\$47,032	\$1,873	\$48,905	4.3%
Village of Elm Grove	\$1,606,740	\$1,649,062	(\$61,495)	\$1,587,567	-1.2%
Village of Germantown	\$3,020,678	\$3,190,947	(\$28,155)	\$3,162,792	4.7%
Village of Menomonee Falls	\$5,407,916	\$5,588,045	(\$52,158)	\$5,535,887	2.4%
Village of Thiensville	\$433,024	\$426,239	\$21,150	\$447,389	3.3%
City of Brookfield	\$3,896,564	\$4,084,620	(\$148,355)	\$3,936,265	1.0%
City of Mequon	\$5,608,899	\$5,792,292	(\$779)	\$5,791,513	3.3%
City of Muskego	\$3,624,731	\$3,656,304	\$137,090	\$3,793,394	4.7%
City of New Berlin	\$6,282,111	\$6,510,932	(\$247,643)	\$6,263,289	-0.3%
<b>Total</b>	<b>\$30,263,218</b>	<b>\$31,277,785</b>	<b>(\$381,693)</b>	<b>\$30,896,092</b>	<b>2.1%</b>

\* 2017 Capital Charges will be finalized by early December, following determination of equalized property values for municipalities partially serviced by the District.

\*\* The 2015 adjustment reflects the difference between credits based on budgeted watercourse and flood management expenditures for 2015 compared to credits based on actual watercourse and flood management expenditures in 2015. The 2015 adjustment was calculated using equalized values in effect for 2015 billings.

## RESOLUTION

### Authorizing 2017 Capital Charges to Non-Member Communities

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**RESOLVED**, by the Milwaukee Metropolitan Sewerage Commission, that (1) the Executive Director is authorized to transmit bills for 2017 capital charges to customer communities outside the District calculated in accordance with the method adopted by the Commission on September 6, 1984, which shall reflect appropriate credits for watercourse improvements as ordered by the Public Service Commission on September 11, 1996, and (2) the Executive Director is authorized to issue an additional charge or credit on the capital charges for the year 2019, after the actual watercourse and flood management expenditures for 2017 are finalized, using the same equalized values used in calculating the 2017 capital charges.