



# Village of Sister Bay

## BOARD REPORT

Meeting Date:

Item No.:

**Recommendation:** That the Board approves Ordinance No. 113-102505 an ordinance enacting impact fees for the construction of a water tower and related system improvements.

**Background:** Impact fees are a method of charging new construction a fee for consumption or usage of particular capital improvements that were sized for future growth rather than having the existing property tax payers pay for all of the costs. In this case as more homes and businesses are built they will be required to pay for a portion of that future tower so that when it is built most if not all the funds have already been collected. Steve Jacobson confirmed with the Public Service Commission that the process being followed complies with State Statutes and impact fees for a regulated utility are allowed.

In 2000 the Water System Study prepared by Robert E. Lee Associates identified the need for water storage in the future. The pages from that report are attached and explain in more detail the different methods used to calculate the size for the storage. Storage can be either elevated like the Jungwirth tower or on grade like the tank behind the Old School. An elevated tower provides greater pressure, but no additional storage at a higher cost. In 2004 REL generated two letters to the Sanitary District regarding the need for additional storage which are both included as well. In each case neither letter says the storage is needed today, but sometime in the future. The future has a habit of catching up with you faster than you think.

Based upon the numbers from the REL study I prepared an analysis of the impact that a new tower would have in terms of the expected costs and related system improvements. The expected costs would be approximately \$954,500 and it would need to come from property taxes or rates. The value of impact fees is that they create a charge for new construction that uses up the existing capacity of an asset. In this case the existing rate payers and tax payers have paid for the two storage tanks. As more development occurs today's excess capacity is used up which will speed up the date when the next storage tank will be required. At that time all the rate payers and tax payers will again pay for the additional storage unless impact fees are used. At the September 6<sup>th</sup> meeting the Utility Commission discussed the need for an impact fee to assist with the construction of a third water tower. The Board of Trustees discussed the attached needs assessment and recommended proceeding to public hearing. The study recommends creating impact fees for the eventual construction of a water tower and a location to be determined.

**Fiscal Impact:** Based upon estimated costs of \$954,500 which leaves \$698,700 due from future development it creates an impact fee of \$1,478 per residential equivalent unit. This calculation is done using the same methodology as the recent wastewater impact fee except no portion of the Town of Liberty Grove is served by water so the percentage of total water sales is split 87.99% for the Village and 12.01% for the Sanitary District. The District will be asked to impose an impact fee as well to capture the revenue that could occur due to growth.

Respectfully submitted,

Robert L. Kufrin  
Village Administrator