

6.0 City of Madison Policy for Connection Charges and the Assessment of Municipal Water System Improvements

6.1 Intent of Policy:

This policy has been developed to guide the preparation of special assessments and/or connection charges related to municipal water system improvements undertaken by Madison Water Utility which extend municipal water service along previously unserved lands benefiting from the improvements. This policy has been prepared in accordance with the provisions of [Wis. Stat. § 66.0701](#), [MGO Chapter 13](#), the current [Madison Water Utility Rate File](#) issued by the Public Service Commission of Wisconsin and the current [Madison Water Utility Rules and Regulations Governing Water Service](#) policy document.

It is the longstanding policy of Madison Water Utility to apply special assessments and/or connection charges against properties benefitting from certain Utility-financed water system improvements along previously unserved lands or upon application to establish Utility service to a previously unserved parcel. This policy describes how the Utility determines eligible improvements, eligible improvement costs and the methods available to most equitably and reasonably distribute the eligible improvement costs among the benefiting properties.

This policy applies to lands currently located within the corporate limits of the City of Madison or are otherwise permitted to receive City of Madison municipal water service pursuant to [MGO Sec. 13.16](#). Lands eligible for service located beyond the Utility's service area and/or lands attaching to the City of Madison may be subject to differing special assessment and/or connection charge policies when those policies have otherwise been established through an approved intergovernmental agreement or cooperative plan between the subject Township(s) and the City of Madison.

6.2 Eligibility of Typical Water System Improvement Projects:

Storage/Supply Facility Projects, Treatment Systems and Transmission Pipelines:
The initial construction, maintenance, repair and/or replacement of Utility owned and managed operational and water supply facilities (i.e. Utility operations facilities or equipment, wells, reservoirs, elevated tanks, booster pumping stations, treatment and filtration plants, transmission pipelines, etc.) are not assessed against benefitting properties, rather they are considered to be system wide costs shared among all ratepayers under the authority of the Public Service Commission of Wisconsin.

Water Main Extensions – Utility-Financed Water Main Extensions:

New water main extensions installed as Capital Improvement Projects undertaken and financed by Madison Water Utility are typically installed in conjunction with new roads, street improvement/reconstruction projects or as deemed necessary by the Utility to improve the hydraulic characteristics of the distribution system.

Utility-financed water main extensions installed along unserved lands which are

eligible for Utility service per [MGO Sec. 13.16](#) may be assessed for eligible project costs in accordance with [MGO Sec. 13.19](#) and the procedures described in this policy. Upon construction and the expiration of any applicable warranty period, any required water main replacement work or operation & maintenance activities related to existing public water mains shall indefinitely be the responsibility of the Utility.

Eligible special assessment costs for Utility-financed new water main extensions are based on the potential level of service that may be required by the benefiting property and shall be distributed amongst benefiting properties in the most reasonable and equitable method available, as determined by the Utility. Typically, in residential areas, all costs associated with the installation of Utility-financed new water main extensions 10-inches in diameter or less are subject to special assessments levied against the benefiting properties. Those portion of costs of such a project that are related to oversizing new water mains to accommodate system needs (such as hydraulic improvements, transmission purposes or as secondary mains required for pressure zone integration) are not assessable expenses. When larger diameter water mains are required or requested to serve commercial, industrial, institutional or other high capacity developments, the incremental cost increase of those mains greater than 10-inches in diameter shall be assessable against those associated properties requesting/requiring the increased supply capacity, otherwise the 10-inch equivalent costs shall remain assessable against all benefiting properties.

When Utility-financed new water main extensions are located outside of the established Utility service area or the area of benefit created by the new main extension includes currently unserviceable lands located beyond the area of direct benefit, the Utility may elect to proceed with construction of the water main extension without establishing special assessments, or only assessing a portion of the eligible improvement costs at the time of construction to those properties that will be benefited by the improvement. These properties, upon future subdivision, development, attachment or upon the request and/or requirement to establish Utility service, then become subject to a connection charge for any remaining eligible costs prior to establishing initial service from the Utility. The connection charge cost is equivalent to what the special assessment cost would have been at the time the improvement was made, adjusted to the time when service is requested or otherwise becomes eligible to serve the property, in accordance with [MGO Sec. 13.19](#) and the procedures described herein this policy.

Water Main Extensions – Utility Contract with Future Assessments and Refunds:

At the option of the Water Utility General Manager, when a large portion of a requested new water main extension project will benefit property not under the ownership of the developer, the Utility and the party requesting the water main may enter into a contract to construct the water main extension with future assessments and refunds.

For these types of extensions, the Utility and the requester enter into a contract whereby the Utility agrees to install the main and the party applying for the main agrees to prepay the estimated total project cost, as determined by the Utility. The Utility further agrees that, after all the costs of the project are accounted for, a

revised assessment rate shall be determined as per the procedure outlined in [MGO Sec. 13.19](#). The Utility further agrees that as property along the mains, which is not under the ownership of the party requesting the mains, becomes assessable, the Utility will assess said property in accordance with [MGO Sec. 13.19](#). If said property is assessed within 10 years of the date of acceptance of the project, the assessments shall be returned to the party requesting the main. If the property is assessed after that date, the Utility shall retain the assessments.

Water Main Extensions – Private Contracts:

For these types of extensions, the developer and the City enter into a contract whereby the City agrees to provide water service and the developer agrees to install all water mains 10 inches and smaller at no cost to the Utility in accordance with [MGO Sec. 16.23](#) and are not covered under this policy. However, eligibility for water service to the proposed platted subdivision lands, if those lands are not already served by Madison Water Utility, may be subject to these special assessment and/or connection charge policies prior to the approval of the proposed subdivision development.

For any mains the Utility requires to be 12-inches or larger that are not required to serve the proposed development, unless otherwise requested by the developer, the Utility agrees to pay the incremental material cost between the 10-inch diameter equivalent and the size installed. The developer further agrees to prepay all City costs of the project; to provide a performance bond, irrevocable letter of credit, or certified check for the full amount of the project to be in effect for one year after acceptance of the project; and upon acceptance of the project to turn ownership of the mains over to the Utility.

Water Main Replacements – Utility-Financed Water Main Replacements:

Utility-financed water main replacement projects and/or any costs related to the operation, maintenance and repair of any existing public water mains will not be assessed against any properties currently or previously served by the Utility and will be funded from established rates.

In the event an unassessed and previously unserved parcel requests to connect to a water main which has since replaced the original Utility-financed water main intended to serve the parcel, that parcel becomes subject to a connection charge equivalent to the assessment rate used during the original water main installation, with an interest accrual duration of up to twenty years, annually reflective of the Utility's overall cost of borrowed money, not to exceed the current year's average cost of water main installations.

Service Lateral Installations:

Generally, any building in the City of Madison that may be used for human habitation is required to connect to the public water system if public water mains are available to serve the subject parcel per [MGO Sec. 13.07](#). All costs associated with the initial installation of new water service laterals are the responsibility of the property owner and/or subdivision developer. Service from the Utility shall not be established until all prior benefiting water main and/or service lateral

installation costs borne by the Utility have been repaid. Any unpaid costs may be levied and collected as a special tax upon the real estate so to be served in accordance with [MGO Sec. 13.09](#) and the current [Madison Water Utility Rate File](#) issued by the Public Service Commission of Wisconsin.

Subdivision developers are responsible for all new service lateral installation costs from the main through the curb stop and box on any private water main extension/subdivision development contracts.

When the cost of service laterals installed during a Utility-financed water main extension are to be collected through assessment, the per-unit lateral assessment rate will be determined based on the actual installed costs of the project.

Occasionally, improvement service lateral stubs may be installed as part of Utility-financed water main extension or water main replacement projects when the Utility determines there is a high likelihood of future utilization to the fronting parcel. The actual installation costs of these “Collect upon Connection” laterals must be paid to the Utility prior to approving the connection application and/or extending the lateral stub into the parcel to establish service.

A regular, stand-alone service installation, may be installed upon Utility approval of the service connection application. Stand-alone new service installations shall be performed by a Board of Public Works approved contractor and all work shall be done in accordance with the City of Madison Standard Specifications for Public Works Construction. A water utility inspector must be present during installation, and the property owner is responsible for paying all estimated inspection fees at the time of application.

When required by the Utility, in accordance with [MGO Sec. 13.21](#) and/or [MGO Sec. 13.07](#), properties in the City which are currently or were previously supplied by private wells may be required to connect to the public water system and install a new service lateral. Prior to approval of the service connection application, these properties, if previously unserved, shall be reviewed to identify any potential unpaid assessments or connection charges related to the initial water main extending public water service eligibility to the property. All costs associated with the installation of the new water service lateral are the responsibility of the property owner. Rebate or reimbursement programs related to the well abandonment may be available to eligible property owners who qualify per [MGO Sec. 13.21](#).

Standard Service Lateral Maintenance, Repair or Replacements:

The service lateral from the main to and through the curb stop will be maintained and kept in repair and, when worn out, replaced at the expense of the Utility. The property owner shall maintain the service lateral from the outlet of the curb stop to the point of use.

Special Service Lateral Replacements –Lead Services / Backyard Mains:

Upon discovery, any lead service lateral located in the City must be replaced by the property owner in accordance with [MGO Sec. 13.18](#).

For Utility-financed water main replacement projects where the existing main is located in backyard easements and is being replaced with a new street-side public water main, the property owner is required to reconnect their property to the new street-side water main prior to abandonment of the existing backyard main.

In both cases, the replacement service lateral will be installed on the utility-side at no expense to the property owner if the existing lateral is properly sized. If a larger lateral is required or requested, the property owner will be charged for the incremental cost of materials and labor for the upgrade. The property owner is responsible for the installation and all costs associated with the required customer-side service lateral replacement.

The Utility may offer programs to assist property owners with financing the costs associated with lead service replacements or backyard main relocations. Information should be provided by the Utility to property owners at the time any such replacements or relocations are required.

6.3 Determination of Assessment:

Assessments against a benefited property shall be calculated by determining the product of the assessment rate for the project (which may be revised to reflect actual costs) and the unit of measurement used as applied to the benefiting property. For example, if the assessment rate for a project is \$100/ft. of frontage and the property has 50 feet of frontage, the property will be assessed \$5,000.

All benefiting properties shall be included in the assessable area/frontage determinations. Certain lands, such as State highway right-of-way and most railroads are exempt from special assessments under [Wis. Stat. § 66.0705](#), and those portions of the eligible project costs shall be paid by the Utility. Additionally, some City owned properties, such as stormwater management lands and park lands may not benefit from the water system improvements, and subsequently the Utility will pay for those portions of the project rather than spread those costs among all the remaining benefited properties.

Establishing Assessment Rates:

The assessment rate shall be the total cost of the eligible project improvements as determined above, divided by the total assessable area or frontage on the project as determined herein. A preliminary assessment rate shall be determined based upon estimated costs, and a revised rate may be determined upon project completion based upon actual project costs.

Assessable frontage is commonly used to establish a project's assessment rate for water main extensions in areas with similarly sized lots and generally straight roadways. In situations where, either due to road curvature, dissimilar lot sizes, expansive areas of benefit, or varying potential land use applications, area assessments are typically preferred. In some cases a combined frontage/area assessment rate may be established if it is determined by the Utility to present the most equitable distribution of costs among benefiting property owners.

In accordance with [MGO Sec. 13.19](#), frontage rate assessments shall be established by the length of a line 30- feet behind and parallel to the street right-of-way line between the points where this line intersects the side lot lines. In the case of corner lots, the assessable frontage shall be determined on the short side of the lot and the frontage on the long side of the lot will not be assessable unless the long side frontage is in excess of 150-feet. In cases where the long side of a corner lot exceeds 150-feet, then a side yard credit of 150-feet will be applied to the sum of the assessable frontages of the short side and the long side.

Assessable area assessments against benefiting parcels, where used, are established from the total parcel area as determined by the City Assessor's Office, or as computed by Madison Water Utility. If only a portion of the parcel will be eligible for service by the water system improvement being constructed, the assessable area shall be that area eligible for service by the facility, as determined by the Utility.

Partial Assessments and Future Assessments / Future Connection Charges:

When water mains are installed abutting agricultural lands, lands outside the corporate limits of the City, or along other lands which the Board of Public Works may decide are not benefited by the water main, the Utility may request the Board of Public Works to not assess, assess only some parcels or to establish a partial assessment for an assessable area or frontage which is less than the total assessable area or frontage of the parcel in accordance with [MGO Sec. 13.19\(10\)](#).

When any portion of the parcel which has not been assessed is subdivided, is annexed to the City, or otherwise becomes assessable, or when the owner thereof applies for water service, assessments or connection charges shall be established against the parcel equivalent to the unassessed/unpaid benefiting system improvements.

6.4 Connection Charge Methodology:

Upon the requirement for a parcel to connect to the public water system, upon attachment to the City, or upon any request to subdivide, develop or otherwise establish initial Utility service to a previously unserved parcel, the Utility will review eligibility for public water service to the subject parcel. Any outstanding special assessments or unassessed Utility-financed project costs related to the construction of eligible water system improvements benefiting the parcel shall become due as a connection charge prior to the approving the request for Utility service to the parcel.

The Utility must verify that a previously unserved parcel within the Utility's service area meets at least one of the following conditions to be considered eligible for Utility service and connection to the public water system:

- The parcel has been previously assessed for the cost of constructing the distribution system improvements benefiting the parcel and any incremental oversizing/transmission main costs, if required by the intended land use or supply demand for the parcel.
- The water system improvements benefiting the parcel were privately

financed, contributed to the Utility under a private development contract, or were financed by the Utility with the intent at the time of construction to install those improvements as system-wide improvement costs exempt from future cost recovery through special assessments or connection charges.

- If the water system improvements were installed by a Utility-financed water system improvement project with the intent to provide future Utility service to those lands, then a connection charge equivalent to those costs which would have been assessable against the said lot for the eligible water system improvements must be paid to the Utility prior to the request for establishing Utility service to the parcel.

If none of the above conditions are met, no permit to connect to the public water system shall be issued unless the applicant settles any outstanding connection charge costs which shall be equal to the portion of the Utility's cost of constructing the eligible water system improvements which would be otherwise be assessable against said parcel or lands to be serviced by the connection.

Connection charge costs are determined by the Utility in the same manner as any assessment previously levied against other properties along the subject Utility-financed water system improvement project. If no related assessments have been levied, the connection charge cost will be determined upon the basis of the assessment rate which may have been or which shall be charged for similar connection requests along equivalent water mains installed under that project. The assessment rate shall be based on final project costs at the time of construction, with annual interest applied for a period of up to 20-years at the Utility's actual annual cost of borrowed money, adjusted annually.