

AGENDA # _____

CITY OF MADISON, WISCONSIN

<hr/> REPORT OF: City Comptroller	PRESENTED _____ REFERRED _____
TITLE: Fiscal Note for Resolution ID# 00245 Regarding an Intergovernmental Agreement Between The City of Madison and the Town of Blooming Grove	REREFERRED _____ _____ REPORTED BACK _____ _____
AUTHOR: Dean Brassler, City Comptroller	ADOPTED _____ POF _____ RULES SUSPENDED _____ ID NUMBER _____
DATED: January 21, 2005	

TO THE MAYOR AND COMMON COUNCIL:

The proposed intergovernmental agreement between the City of Madison and the Town of Blooming Grove contains provisions that would foster a more predictable and orderly annexation of Town property than has occurred in the past. The agreement also establishes a "protected period" of up to 23 years during which only limited annexation of Town property could occur. Approximately 78% of the Town's present assessed value, 89% of its current population, but only 10% of the total land area would be protected throughout this period. At the end of this term, Town government would cease operations.

With only minor exceptions, the agreement does not define specific annexations and property transfers which would occur within the next several years. Therefore, the agreement does not result in immediate quantifiable budgetary impact. Generally, the agreement allows for annexations of undeveloped property to continue with the concurrence of affected property owners in the near term. The agreement preserves the current statutory provision that requires the City to provide revenue sharing to the Town, equal to the town taxes paid in the year of annexation, for a period of 5 years. The amount of such revenue sharing payments would be determined at the time each individual annexation is approved in the future.

The City will eventually incur additional operating costs as annexation progresses, although the proposed agreement does not materially affect the level of those expenses or provide for substantial immediate transfer of maintenance responsibility.

Annexation Potential During Protected Period

Generally, existing annexation laws allow cities to annex contiguous unincorporated areas upon the approval of a majority of the property owners within the area to be annexed. This environment has, of course, contributed to the piecemeal progress of municipal boundary extensions throughout the state, particularly in places where the unincorporated land has already been developed, as in the Town of Blooming Grove. The pace of that progress is often more dependent upon the financial interests of individual land owners and competing municipalities than any planned vision for the future delivery of municipal services.

The proposed intergovernmental agreement would allow the continuation of individual property annexations at the request of individual property owners, and would further allow the creation of additional town islands if neighboring owners opposed annexation of their parcels. However, the agreement also provides for the phased annexation of substantial areas of Town property in 2015 and

2020, without the consent of Town property owners or electors. The agreement further allows greater City participation in the planning and approval processes for new developments that occur in the Town prior to annexation.

The proposed agreement gives the City the authority to levy special assessments for public improvements benefiting properties located within the Town. In most cases, repayment of these assessments would be deferred until the benefited property is annexed to the City, but this additional power would result in a more equitable distribution of development costs to all of the properties which will eventually benefit, including those beyond the present City border.

Under the terms of the proposed agreement, Town property owners may request extension of sewer and water services prior to annexation. If such extension were granted, the property owner would pay for the extension over a 5-year period. At the end of that period, the property will be annexed. This provision encourages a more orderly extension of sewer and water services throughout the area as conditions warrant, with the owners of town parcels bearing a more appropriate share of the costs.

Eventual Dissolution of Town Jurisdiction

At the end of the protected period, all areas remaining within the jurisdiction of the town would be absorbed by the City of Madison, and the assets and liabilities of the Town would become the responsibility of the City consistent with state statutes.

It is impossible to predict the net value of Town assets in 23 years. Municipal governments tend to be relatively stable when compared to many other business entities and are seldom subject to dramatic changes in business volume. The proposed agreement contains language specifying that the Town shall exercise its governmental authority to assure that the Town's finances are in reasonable condition for transfer to the City. Yet there is always a risk that Town finances could deteriorate significantly during the 23-year protected period anticipated in the proposed agreement. If that were to happen, the City would assume responsibility for any net deficit. This potential for assuming liabilities of the Town may be the greatest financial risk associated with this agreement, yet the City would likely face similar responsibilities if the Town's financial condition would deteriorate during this same period without an agreement in place.

The proposed agreement also establishes a "job continuity" provision for Town employees in the form of a defined severance benefit. Currently, the Town has approximately 8 full-time equivalent employees. This number is not expected to grow substantially since Town operations are not likely to expand during the protected period. Any Town employee not hired by the City of Madison at the end of the protected period would be entitled to a severance benefit based on years of employment with the Town. The benefit ranges from a maximum of one year's pay for employees with 15 years of service down to 3 months pay for employees with less than 5 years but more than 6 months of service. This provision provides the City with a limited obligation for employee compensation, which can be mitigated by the hiring of Town employees into the City's work force.

Respectfully Submitted,

Dean Brassler, City Comptroller