

# Sewer Connection Fee Policy

Approved by the Board of Public Works on \_\_\_\_\_

MGO 35.02(10)

## I. Purpose of the Sewer Connection Fee

The purpose of the Sewer Connection Fee is to recover the administrative costs to the City of extending sanitary sewer service to a property. The fee is recovered at the time a property seeks connection to City services, based upon a method and apportionment policy created by the City Engineer and approved by the Board of Public Works. The fee is made up of a property's share of the Capital Area Regional Plan Commission's (CARPC) Central Urban Service Area (CUSA) amendment fee, the Madison Metropolitan Sewerage District's (MMSD) service area expansion fee, as well as the reasonable City costs associated with securing these approvals. Recovery of these fees at the time of connection is authorized by Madison General Ordinances Sec. 35.02(4) and (10)<sup>1</sup>. As required under Wis. Stat. Sec. 66.0628, the sewer connection fee imposed under this policy must bear a reasonable relationship to the service for which the fee is imposed, which means that the cost charged by the City may not exceed the City's reasonable direct costs that are associated with extending sanitary sewer service to the property. Because CUSA amendments and MMSD service area expansions are usually for a large area beyond a single development, and actual connections may occur at vastly different time frames, it is necessary to formulate an apportionment method that will apply to territory similarly, even if the fees are not collected at the same point in time.

## II. Background

### A. General

Notwithstanding the availability of municipal sanitary sewer infrastructure, before the City may actually provide sanitary sewer service to a property, the property must be within the Central Urban Service Area and within the service territory of MMSD. The CUSA boundaries are ultimately determined by the Wisconsin Department of Natural Resources, but amendments thereto are administered by CARPC. As an original member of MMSD, all lands within the City and within the CUSA are entitled to be a part of the MMSD service territory as provided for in Wis. Stat. Sec. 200.15(1).

In 2014, CARPC imposed new fees associated with the review of CUSA amendment requests and MMSD imposed new fees associated with the review of requests to expand the District's service area. Neither entity charged fees for these services prior to 2014.

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<sup>1</sup> See Legistar File #34135, ORD-14-00113, effective June 26, 2014.

CUSA applications are structured such that the community in which the newly developing area will be located makes the request to CARPC for the CUSA expansion and is responsible for paying the application fee. MMSD service area expansion requests are made by the City following CUSA amendment approval and annexation or attachment of the lands to be served to the City, or approval by the adjoining Town. CUSA amendment applications are generally broader in scope than MMSD service area expansion requests, which means that following a CUSA amendment, a territory may see several subsequent MMSD service area expansion requests as property comes into the City.

As the CUSA and MMSD fees are associated with the extension of municipal sanitary sewer service, it is the responsibility of the Madison Sewer Utility to pay these application fees at the time of the respective applications. It is the intent of the Sewer Utility to recover these administrative fees associated with the applications from the lands developed within the CUSA amendment and MMSD service area expansion area and not spread those costs to the other rate payers within the City.

#### **B. CARPC policy for administration of their fee**

CARPC added CUSA Amendment Fees as of May 9, 2014. These fees are structured such that half of the fee is charged at the time of the CUSA application, and a second prorated fee is charged when an area covered by the approved CUSA is submitted for a formal sewer extension permit when development and build out of the areas included within the CUSA application occur. CARPC has provided a calculator on their website to allow estimation of the fees. Example fees range from \$8,234, \$11,985, \$28,243, and \$47,621 for 10, 100, 500 and 1000 acre CUSA requests, respectively. The fees generated by the calculator represent the full fee, of which half would be due at the time of the CUSA application. Lands within the CUSA amendment area that are slated for designation as Environmental Corridors (EWAYs) are exempt from fees.

#### **C. MMSD policy for administration of their fee**

MMSD has established fees of \$1,150 for expedited service area expansion reviews and \$2,750 for contested reviews. The fee will be charged for all new areas being added to the sewer district service area, regardless of size. These rates are established for calendar year 2015 and shall be subject to annual adjustment by the MMSD Commission. The full amount of the fee is charged at the time of application approval.

### **III. Payments to CARPC and MMSD**

At the time of a CUSA amendment application, City Engineering and Planning staff shall contact CARPC staff prior to the submittal to confirm the amount of the total fee for the area being considered and that portion of that fee that is due with the application. The MMSD fees are fixed but MMSD staff will be contacted for concurrence. A payment for the total amount of the combined required fees shall be authorized as part of the resolution allowing the Planning Division to submit the CUSA application to these agencies. The amounts due shall be paid by the Madison Sewer Utility out of its operating budget, which amounts shall then be recovered through the sewer connection fee.

## IV. Sewer Connection Fee Collection

When sewer service is provided to lands within an area subject to the sewer connection fee, the City Engineer shall collect the sewer connection fees for the portion of the territory being served by that extension, less any environmental corridors within the area served by the sewer extension. The collection of the fees will typically take place as a provision in the Developers Agreement for new subdivisions or as a condition of the connection approval. A map showing the limits of the area covered by the sewer connection fee and subject to the fee shall be created by City Engineering and included in the City GIS system. The areas estimated to be in Environmental Corridor at the time of submittal shall be tracked.

The sewer connection fee will be charged on net area as defined by gross area less both Environmental Corridors and previous Right of Way (ROW) dedications. Fees will be charged for some publicly dedicated lands, such as road right of way and parkland in some cases, unless they are designated as Environmental Corridor. This is unlike most impact fees, which charge fees based on the developable net area and do not include land dedicated to the public.

## V. Calculation of the Sewer Connection Fee

**A. General.** The Sewer Connection Fee shall be composed of two parts for each property: the CARPC CUSA Amendment (CCA) Fee, and the MMSD Service Area Expansion (MSAE) Fee. Fees shall be apportioned to parcels based upon the Net Developable Area and shall include City Administrative Costs.

**B. Determining Net Developable Area.** The Net Developable Area of a CUSA amendment application or an MMSD service area expansion request shall be calculated by subtracting the existing dedicated Right of Ways and the proposed Environmental Corridor Areas, increased by 5%, from the gross area of the CUSA amendment application or service area expansion request. The 5% increase is intended to account for expansion in Environmental Corridor Areas that are almost uniformly experienced when transferring a development plan from the initial planning stage to construction.

Note: In determining the net developable area, only existing dedicated Right of Ways which were dedicated to the public in fee title shall be subtracted from the gross area of the CUSA amendment application or service area expansion request. Those right of ways dedicated as easements shall not be subtracted from the gross area.

The Net Developable Area may be different for CUSA amendment and MMSD service area expansion request, as noted in Section II.A above.

**C. The City Administrative Cost.** The City Administrative Cost is the cost incurred by the City Engineering Division in pursuing the CARPC and MMSD approvals and administering the sewer connection fee. The cost is based on the value of the Engineering Division staff hours required and shall be reviewed annually to insure the set cost accurately represents the actual cost incurred. Based upon the City's past experiences in securing CARPC and MMSD approvals, and estimating the additional staff time needed to administer the sewer connection fee, the City Administrative Cost shall be \$792 in 2015 for each CUSA amendment and \$160 in 2015 for each MMSD service area expansion request. These administrative costs shall be reviewed annually by the City Engineer and updated as needed to account for actual administrative costs incurred by the City to secure these approvals and administer the sewer connection fee. A three-year rolling average shall be used for this purpose.

**D. The CCA Fee.** The CCA fee for a property shall be the sum of the total application fee charged by CARPC to review the City's CUSA amendment and the City Administrative Cost in pursuing the CUSA amendment, divided by the Net Developable Area of the land included in the CUSA amendment, times the size of the property.

**E. The MSAE Fee.** The MSAE fee for a property shall be the sum of the total fee charged by MMSD to review the City's request to expand the MMSD service boundary and the City Administrative Cost in pursuing the service area expansion request, divided by the Net Developable Area of the land included in the service area expansion request, times the size of the property.

**F. Determining the Sewer Connection Fee.** The Sewer Connection Fee for a parcel shall be the sum of the CCA Fee and MSAE Fee for the property.

## **VI. Adjustments to the Sewer Connection Fee to account for inflation**

The City Engineering Division shall adjust the CCA Fee and MSAE Fee annually using the Construction Cost Index (CCI) from the publication Engineering News Record. These fees shall be fixed for the remainder of the calendar year in which the City incurred the expenses. On January 1, following the establishment of the fees, the fee for the following year shall be indexed from the month the rate is established to the following January 1. Each year thereafter the fee shall be indexed on January 1 in accordance with the CCI and shall be fixed for the remainder of that calendar year.

## VII. Example Sewer Connection Fee Calculation

Gross area of CUSA and MMSD expansion: 100 acres  
Proposed Environmental Corridor Areas = 8 acres  
Parcel seeking sewer connection = 40 acres

Existing Dedicated Right of Way = 0.5 acres  
CUSA Fee (utilizing CARPC's fee calculator): = \$11,652  
MMSD Fee: \$1,150

City Administrative Cost (CUSA) = \$792  
City Administrative Cost (MMSD Annexation) = \$160

### **Calculation of CCA Fee :**

Total Amendment Cost = CARPC Fee + City Administrative Cost  
= \$11,652 + 792 = \$12,444  
Net Developable Area = (Gross Area – Existing ROW – (Env. Corridors\*1.05))  
= 100 - 0.5 – (8\*1.05) = 91.1 acres  
CCA Fee = (Total Amendment Cost / Net Developable Area)\*Parcel Size  
= (\$12,444 / 91.1 acres)\*40 acres = (\$136.60 /acre) \* 40 acres = \$5,464

### **Calculation of MSAE Fee :**

Total Amendment Cost = MMSD Fee + City Administrative Cost  
= \$1,150 + 160 = \$1,310  
Net Developable Area = (Gross Area – Existing ROW – (Env. Corridors\*1.05))  
= 100 - 0.5 – (8\*1.05) = 91.1 acres  
MSAE Fee = (Total Amendment Cost / Net Developable Area)\*Parcel Size  
= (\$1,310 / 91.1 acres)\*40 acres = (\$14.38 /acre)\*40 acres = \$575.20

### **Calculation of Sewer Connection Fee for Parcel:**

Sewer Connection Fee = CCA Fee + MSAE Fee  
= \$5,464 + \$575.20 = \$6,039.20, due at time of connection