

October 3, 2012

Mr. Jack Riley, Chairman
Summit Utility District #2
2911 N. Dousman Road
Oconomowoc, WI 53066

Re: Engineer's Report for the Re-opened Special Assessments for Utility District No. 2
Project No. 14335.002

Dear Mr. Riley and Commissioners,

Attached please find the Engineer's Report for the re-opened Special Assessments for Utility District No. 2.

The District Engineer completed multiple steps to formulate this report. We have referred to the Village Administrator's background report memo dated September 6, 2012 to the Utility Commissioners. This document provides an excellent history on the consideration of the reopening of the Special Assessments for the deferred properties. We have attached said report for reference.

The following information expands on this report and summarizes the steps taken for the Engineer's Report.

Introduction

Over ten years have passed since the original assessments. The Utility Commission completed a Financial Management Plan in 2011. Several residents responded to this Plan by stating the Commission needed to take a comprehensive look at all the parcels within the Utility District. Village Staff provided spreadsheets that documented the original assessment parcels, deferred assessment parcels, payment of assessments by year, and the current quarterly billing list. The District Engineer used these spreadsheets to compare the original District parcel map to the current Waukesha County parcel information. With great assistance from Village Staff, we were able to formulate the Re-opened Assessment Roll documented in Schedule C of the Engineer's Report.

Due to land divisions, combination of parcels, ownership changes, new construction, and removal of existing structures, the assessment roll has been updated with the latest information.

The assessment roll has three (3) basic parcel classes:

- Parcels that have paid the assessment (class 1)
- Parcels with the assessment currently unpaid, but are no longer deferred status and now owe the assessment (class 2)
- Parcels that have been determined not to be buildable and are not being considered for assessment at this time (class 3)



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Rochester

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Previously Paid Parcels

The District's policy is and was to assess properties on the basis of a Domestic User Equivalent (DUE). One DUE is defined as the wastewater volume equal to that generated by the average single family residential customer. The number of DUEs is included in the assessment roll and is dependent on the use of each parcel.

With the re-opened Assessment Roll, we documented the parcels that had previously paid an assessment.

The majority of the previously paid parcels were part of the original assessment. The property owners either paid a lump sum \$9,900/DUE assessment or paid over a 10-year installment period. In some cases, there could also be a combination of the two. One example of this would be if a parcel started out paying annual installments, but in year five was sold; this would trigger the payment of the remaining balance. For these parcels the \$9,900/DUE previously paid assessment has been included in the assessment roll.

For new construction, after the original assessment was complete, the previously paid assessment amount in the assessment roll is based on the annual schedule per the original resolution and actual payment at the time of pulling out a permit. One of which is a parcel within the City of Delafield (Tax Key # DELC0624005). A municipal agreement between the Village of Summit and City of Delafield was worked out for the District to provide service to this City of Delafield parcel.

There are four exceptions to the two main groups of connected properties. These include Parcel Tax Key #SUMT0622979001, SUMT0669024, SUMT0670986, and SUMT0671012.

Tax Key #SUMT0622979001 – This is the Roger's Memorial Hospital main parcel. The DUE count for this parcel is currently at 61. This count was adjusted up from the actual assessment collections based on the Del-Hart Treatment Plant redefinition of a DUE. An amount of \$381,150 was collected for the original 38.5 DUEs, \$66,690 was collected for the Harrington Center additional 4.75 DUEs, and \$25,089 was collected for the Child/Adolescent Center 1.5 DUEs. A total of \$472,929 has been collected for this parcel.

Tax Key #SUMT0669024 – This parcel paid the first installment of the assessment and then disconnected their plumbing and petitioned the District to stop the requirement of the additional installment payments. We have shown the previously paid installment and the balance as the current unpaid assessment. The current unpaid assessment was calculated by the following: \$9900 original assessment - \$990 initial payment, with a 6% annual interest rate for 11 years.

Tax Key #SUMT0670986 – This parcel is owned by Waukesha County and has the County trail restroom facilities located on it. A \$7,900 assessment was the negotiated amount with the District.

Tax Key #SUMT0671012 – This parcel has an agreement letter with the District with regard to the assessment owed. Per the letter, if the owner of the parcel pays \$11,583 by December 15, 2012, the parcel will be taken off the assessment roll; if not, \$16,614 will be the current assessment. (See attached letter.)

There are 12 parcels that have paid the assessment, but are currently not hooked up to the system and are not part of the quarterly billing. (The parcel numbers are SUMT0624010, SUMT0627015, SUMT0627907,

SUMT0669995008, SUMT0670006, SUMT0671022, SUMT0671037, SUMT0671042003, SUMT0672006, SUMT0672015001, SUMT0672017001, and SUMT0672034.) In most cases this situation exists when a home is razed and awaiting new construction. Also, per Del-Hart review, four (4) parcels had their DUE count adjusted up from their original assessment for quarterly billing purposes. (The parcel numbers are SUMT0669053, SUMT0670004, SUMT0670044, and SUMT0671109001.) This accounts for an additional 3.75 DUE billing count compared to the assessment count.

A total of 535 parcels were assessed and paid \$6,252,195 during the first ten years of the system.

Current Unpaid Assessed Parcels

The District Engineer completed a detailed analysis on the remaining 84 parcels that had not previously paid the assessment. These parcels included the original deferred parcels, parcels created after the original assessment, and parcels that were on the assessment roll to pay but for various reasons were granted deferred status.

Staff reviewed the parcel characteristics with regard to ability of the land to allow construction. If, in the Engineer's opinion, it was determined that the parcels could be built upon they were assigned the current assessment.

The current assessment amount of \$18,793/DUE is based on Exhibit 3 of the original assessment, the 2013 deferred assessment amount per DUE. Again, the District's policy is to assess properties on the basis of a Domestic User Equivalent (DUE). One DUE is defined as the wastewater volume equal to that generated by the average single family residential customer. The number of DUEs is included in the assessment roll and is dependent on the use of each parcel.

If the parcels were determined to be not buildable at this time, they were not assigned the current assessment. Additional details are provided below with regard to the non-buildable parcels.

A parcel map was created of the District to help graphically show the parcels under consideration for the current assessment. This map is included as Schedule A of the Engineer's Report. The map is color coded as follows: properties proposed for amended assessment (green color), the non-buildable parcels (purple color), and the previously paid parcels (white – no color).

Of the 84 deferred parcels, 49 parcels are considered buildable. Four (4) of the buildable parcels have multiple DUEs assigned to them. These DUEs are assigned based on existing infrastructure being in place to service the parcels and actual development plans having been considered in the past.

The four parcels with multiple DUEs are Tax Key #SUMT0623992, SUMT0626999001, SUMT0669995002 and SUMT0669995003.

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Tax Key SUMT0623992 and SUMT0626999001 are the parcels that relate to the Pabst Farms Interlaken Village proposed plan. These two parcels had originally been assigned a total of 40 deferred DUEs. Per District direction the DUE assignment was reduced to 27, based on the 2006 preliminary plat layout. Public sewer has been installed through these parcels with the original installation for the District.

Tax Key SUMT0669995002 and SUMT0669995003 are the parcels that relate to the Waterville Commons project. The project has been approved for 12 units (12 DUEs); four (4) units have been built but the project has paid for five (5) DUEs. The additional seven (7) DUEs have been assigned to the current assessment.

The 49 buildable parcels have been assigned a total of 79 DUEs for a total current assessment of \$1,480,589.

Non-Buildable Parcels

Based on our analysis, 35 parcels within the District have been considered non-buildable at this time. These parcels include State- or Village-owned lands, lake access/right-of-way parcels, remnant parcels, floodplain/floodway parcels, and wetland parcels. No assessments were assigned to these parcels.

Summary

The Current Unpaid Assessments of \$1,480,589 with the combination of the previously paid assessments of \$6,252,195 for the project is still less than the overall costs associated with the 2001/2002 improvements. Each of the properties that has been assessed as described in the re-opened assessment roll of Schedule C has benefited by the work and improvements. The overall assessments for the project are appropriate and do not exceed the overall costs associate with the improvements.

If you have any questions regarding the information presented above, please contact me.

Yours truly,

YAGGY COLBY ASSOCIATES



Michael P. Court, PE
MPC/dk

Encl.



Village Hall, 567-2757
Fax, 567-4115
Highway Dept., 567-2422
Police Dept., 567-1134
Building Inspector, 646-2577

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TO: Jack Riley, Commission Chairman
Utility Commissioners

FROM: Henry Elling, Village Administrator

DATE: September 6, 2012

SUBJECT: Background report of deferred assessments in Summit Utility District #2,
previously known as Summit Sanitary District #1

The Utility District #2 Commission has been in place since May, 2003, when the Town Board converted the previous Sanitary District to a Utility District. The Utility Commission assumed all the rights and responsibilities of the Sanitary Commission, including financial responsibilities. The Utility District #2 commissioners completed a comprehensive financial analysis of the District during 2011, resulting in a public meeting on September 8, 2011. The District mailed letters inviting all property owners to attend this meeting. The District's financial advisor and the village administrator presented the commission's findings and recommended actions to about 60 residents/property owners at that meeting. The commission adopted the plan at their November, 2011 regular meeting and began implementing the financial management plan with the tax bills mailed in December, 2011.

Several questions at the September 8, 2011 meeting related to the status of deferred properties and the on-going assessment amount assigned to those properties. Follow-up questions from property owners identified the amount and timing of payments for deferred assessments as a potential policy issue for the commission to consider.

A presentation at the March 1, 2012 regular commission meeting resulted in the following motion from the commissioners: *to direct staff to determine which of the deferred parcels are actually buildable and report at the April 5th meeting.* At the April 5, 2012 meeting the District Engineer reported that the original deferred assessment count from 2002 was 119 Dwelling Unit Equivalents (DUE). The report found that approximately 92 of the 119 DUE have development potential. Of these 92 DUE, 40 are directly tied to the Interlaken Village proposal within the Pabst Farms project. This developer presented a preliminary plat in 2006 that included only 27 single family lots.

The staff further reported that 2012 is an appropriate time to reconsider this assessment program since all three levels of property in this District are in the same circumstance. Level 1 includes the connected properties where the owners paid the initial \$9,900 assessment as a lump sum in 2002. Level 2 includes the connected properties where the owners paid the initial \$9,900 assessment over 10 years, ending with the December, 2011 tax bill. Level 3 includes the deferred properties

where no connection has been completed, no service requested, and no payment made for this system. After hearing the April 5 presentation, the commissioners directed staff to gather more information on two different items that deal with deferred assessments.

- A. What policy would have to change in order to offer to residents the option to pay the deferred assessment in full immediately?
- B. What are the next steps and timing to continue the discussion on the remaining deferred assessment?

The District's Attorney and District's Engineer both appeared at the June, 2012 meeting and reviewed the procedures involved in amending the Final Special Assessment Resolution and potential for changing the assessments. At this meeting the commissioners asked staff to prepare the necessary financial review and impact of collecting the current deferred payment and future quarterly capital charge from the deferred properties.

The district staff formulated a series of policy decisions to guide the commissioners. These policy decisions were presented at the Commission's July 12, 2012 meeting.

Policy issue #1: *Should Pabst Farms Interlaken Village continue to include 40 DUE, or should the likely development reduce this count to 27 DUE?* The commissioners agreed to reduce this property to 27 DUE, based on the 2006 preliminary plat layout.

Policy issue #2: *Should the District include possible development based on the adopted Village Master Plan 2030 as the basis for assigning DUE to other vacant tracts of land?* The commissioners agreed that unless a development plan exists and has been presented to the District for review the parcels would continue to be assigned a single DUE as the minimum level of development possible.

Policy issue #3: *Should the District treat all deferred property in the same way?* The commissioners agreed to treat three types of deferred property in a similar fashion. The types include the following:

- a. deferred with laterals installed from the sewer main to the property line (67)
- b. deferred without any lateral installed from the sewer main (9)
- c. additional laterals installed for future connections to properties already served (3)

Policy issue #4: *If all the types should be treated in a similar fashion, how are they then to be treated?* The commissioners agreed to not revisit or revise the current assessment for deferred properties shown in Exhibit 3 of the Resolution. The commissioners did not revise the interest rate schedule included in the original Resolution charged from 2002 to 2012 for deferred assessments. The commissioners did not agree to additional charges on deferred properties for past quarterly capital charges or the annual charges paid on tax bills in the past by owners connected to the system.

Policy issue #5: *Will all deferred properties then also begin paying quarterly capital charges and annual tax for capital?* The commission agreed to consider this additional

level of charges as part of an updated financial study, based on the number of DUE assigned to that property.

The commissioners requested a financial report from their July 12 meeting, including the potential for identified deferred assessments to pay the outstanding assessment in full by a date certain or have that amount entered on a 10-year payment plan at an interest rate to be set by the commission. The commission further directed the Village's financial advisor to develop a preliminary report on the amount of money that would result to the District and the impact on the 2011 financial management report from these 79 DUE payments.

The commissioners met on August 20, 2012 to review this information and give direction to the District's staff on deferred assessments. At that meeting the commissioners reviewed various alternatives, identified the financial impact of those decisions and gave direction for development of the District's 2013 budget. The group referenced page 20 in the 2011 Financial Management Plan "Table 8: Preferred Cash Flow Option". They noted that there has never been a charge placed on deferred properties for the quarterly charges or for the annual property assessment tax.

The District's Engineer prepared an updated report for August 20 that detailed the deferred property location and status. Based on this work, the commission agreed to use 81 as the updated number of DUE with development potential for consideration going forward in the analysis. The engineer based this conclusion on further study of wetland areas, existing sewer line capacity and lateral placement along with existing developable parcels taxed separately.

The following options for the developable deferred parcels were discussed:

- Leave them and pay when developed (as it is now)
- Leave them and give an option to pay
- Require them to pay in one charge
- Require them to pay but give them 10 years to do so
- Require them to pay on capital quarterly charge or the annual tax

Commissioners identified the following reasons to change the Special Assessment Resolution:

- to straighten out the District finances
- to recoup some of the initial investment that has not been paid
- to require the owners who will benefit to pay now
- to reduce the impact of on-going increases in the assessment and connection charges
- to provide a mechanism to pay the assessment; right now the only way to avoid the charges (according to the policy) is to never develop the parcel
- acknowledge that the charges are an obligation whether the property is connected or not

The commissioners also considered policy questions regarding the applicable quarterly and annual capital charges. They concluded that this issue would be addressed separately from the Resolution for Special Assessments. However, these changes would also affect the financial viability of the District.

At the conclusion of their August 20 meeting the commissioners set this item for consideration on September 6, 2012. At the meeting on September 6, 2012, the commissioners directed the District staff to commence the applicable procedures to amend the Special Assessment Final Resolution of the Town of Summit Sanitary District #1 dated June 4, 2002, assigned by law to the Village of Summit Utility District #2, and to set a public hearing for _____, 2012.

The changes proposed to the Special Assessment Final Resolution include the following:

White Court



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Fax, 567-4115
Highway Dept., 567-2422
Police Dept., 567-1134
Building Inspector, 490-4141

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September 7, 2012

Sabiheh Bagherli
245 North 110th Street
Wauwatosa, Wisconsin 53226

RE: Summit Utility District #2
Special Assessment Determination

Dear Ms. Bagherli:

Thank you for attending the special Utility Commission meeting on Monday, August 20 here at the Summit Village Hall. It was helpful to have time to meet with you and the commissioners, identify the concerns you have with the special assessment billing on your property, and prepare a solution to this issue.

The Utility Commission met again on Thursday, September 6, 2012 to finalize the agreement for concluding the special assessment on your property at 1599-1611 Sugar Island Road. This is also listed in the tax records as Key Number SUMT0671012. The commissioners formally agreed to the determination made on August 20th for your property. I will outline that decision as follows:

1. The Commissioners agreed that you were part of the 10-year payment plan for sanitary sewer installed in 2002 in the Summit Utility District #2.
2. The Commissioners agreed that you paid the first installment as billed on your tax bill in December, 2002. This amount was \$1,115.
3. The Commissioners agreed that you would have paid a total of \$12,698 if you had paid the full 10-year schedule of payments.
4. The Commissioners agreed that the Village did not bill you for any annual assessment except in 2002.
5. You agreed that the time had passed when a grinder pump would be provided by the Utility Commission for your property connection.

Together, the group agreed that you would pay the remaining assessment in one of two ways. **Either:**

- A. **Payment of \$11,583 to the Summit Utility District #2 by December 15, 2012.**
This amount comes from the \$12,698 total payments less the \$1,115 paid in 2002;
or
- B. **Payment of \$16,614 to the Summit Utility District #2 over ten years at 2% interest via charges on your property tax bill.** This amount comes from the

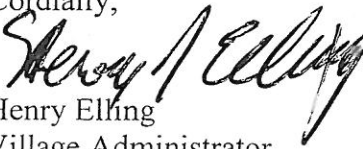
total current deferred special assessment (\$17,726) less the \$1,115 paid in 2002. This billing would first occur in December, 2013 and continue until December, 2022.

If we do not receive the payment of \$11,583 in the Village Hall office by December 16, 2012 then we will proceed to collect the money via tax bills beginning in 2013.

The 2% interest rate is comparable to the rate under consideration for other deferred properties in the Utility District. They will also be given the opportunity to pay their entire special assessment as it exists (\$17,726) during 2013 or use the 10-year payment option beginning in December, 2013.

Thank you for your patience during our research and discussion on this item. Should you have any more specific questions, or wish to review this decision further, please feel free to contact me and arrange a time for us to meet.

Cordially,


Henry Elling
Village Administrator