



## **SPECIAL ASSESSMENT REPLACEMENT: FREQUENTLY ASKED QUESTIONS**

### **What are special assessments and what items are paid for by them?**

A special assessment is a fee collected by the City for improvements or special services that benefit a property. Special assessments are the funding mechanism for street reconstruction, initial construction of sanitary sewers, water mains, sidewalk, driveway aprons, and utility laterals (the pipes that service a home or building from the main pipes that are typically in the street).

### **How are special assessments currently funded, and what changes in the new proposed method?**

Currently, special assessments are charged to property owners according to the front foot dimensions of the abutting property to the improvement. The city is proposing to eliminate special assessments for road and sidewalk reconstruction. A combination of methods is being proposed to replace special assessments as the funding source for these improvements, replacing the approximate \$3.75 million charged annually through special assessments. A Vehicle Registration Fee (VRF), commonly referred to as a "wheel tax", would be collected in addition to the regular annual registration fee paid for a vehicle. The fee applies to vehicles kept in Oshkosh with automobile registration, autocycle registration, and truck registration at 8,000 lbs. or less (except dual purpose farm). The city would collect approximately \$1.5 million annually through the VRF. Additionally, each of the city utilities (water, sanitary sewer, and storm sewer) would be charged approximately \$750,000 annually, for pavement-related improvements to provide the balance of funding needed for improvements.

### **How was this proposed method arrived at?**

The August 29, 2023 Common Council Budget Workshop meeting included a discussion of what could be done to either partially or fully replace **pavement related** (street and sidewalk) special assessments. Utility related special assessments were not considered for replacement in this, or prior discussions regarding the replacement of special assessments. Following that budget workshop, staff investigated additional potential options, consisting of various mixtures of a handful of potential funding

sources. The potential funding sources reviewed as part of this analysis included: Transportation Utility, Vehicle Registration Fee (VRF), Utilities assuming the cost of pavement restoration over utility trenches, and additional General Obligation Debt. The plan that is being considered is a combination of some of the proposed options, with the intent of finding a balanced approach to the new funding method.

### **Why don't we just keep funding road reconstruction through special assessments?**

Over the past 10 years, the cost of capital improvements, and consequently special assessments, have been rising faster than the rate of inflation. This has resulted in single family residential properties seeing special assessments that have amounted to as much as \$20,000 or more. While these charges are infrequent, the impact on individual households has been significant. The Common Council has looked at a variety of methods to replace these special assessments, and a combination of funding methods appears to be the fairest approach to re-allocate these costs.

### **What are the benefits of the proposed plan?**

The proposed method of funding is a balanced approach that seeks to collect the funds needed to replace pavement related special assessments. The major benefit of this proposal is that the burden of paying for improvements would no longer be borne primarily by the abutting property owners, as it currently is. The policy change benefits all residents by creating a sustainable funding source to ensure high-quality streets for residents, businesses, emergency services, and others.

### **Does this plan also fund the sidewalk rehabilitation program?**

Yes, the sidewalk replacement/rehabilitation program is funded by this program. Property owners will no longer receive a special assessment/charge for sidewalk replacement.

**Is this plan intended to eliminate all, or only a certain percentage, of the special assessments levied upon property owners?**

The city is proposing to eliminate all **pavement-related** special assessments specifically for road and sidewalk reconstruction (including the sidewalk rehabilitation program). New developments and new utility construction will continue to be special assessed. Water, sanitary sewer, and storm sewer laterals to a property will also still receive a special assessment.

**Once these new fees are collected, can they be used for anything other than road reconstruction & related costs?**

No. They are used exclusively for the purpose of eliminating pavement-related special assessments. Road repairs and maintenance work on existing roads that are not being completely replaced will continue to be funded through the city's operating budget.

**What would the Vehicle Registration Fee be for Oshkosh residents, and how does it compare to other cities?**

The proposed Vehicle Registration Fee (VRF) for Oshkosh residents would be \$35 annually, in addition to the regular annual registration fee paid to the State of Wisconsin for a vehicle. The fee applies to vehicles kept in Oshkosh with automobile registration, autocycle registration, and truck registration at 8,000 lbs. or less (except dual purpose farm) according to Wisconsin Department of Transportation rules. Motorcycles are exempt. The VRF will begin appearing on vehicle registration renewals sometime after July 1, 2024. This fee compares with other Wisconsin cities:

- Appleton (\$20)
- Eau Claire (\$24)
- Green Bay (\$20)
- Janesville (\$40)
- Kaukauna (\$10)
- Manitowoc (\$20)
- Sheboygan (\$20)

**What license plates are exempt from a Vehicle Registration Fee (VRF)?**

The Wisconsin Department of Transportation rules state that these special plates are exempt from the VRF: Antique, Collector (“Collector Special” plates are not exempt), Ex-Prisoner of War (if issued without registration fee), Historic Military, Hobbyist, and Medal of Honor. All special plates issued to a farm truck, dual purpose farm truck or motor home are exempt from the VRF. Motorcycles are also exempt from the VRF.

**Large vehicles cause the most road damage. Why aren’t those vehicles paying their fair share of the Vehicle Registration Fee (VRF)?**

The Vehicle Registration Fee, by Wisconsin Statutes, specifically exempts vehicles over 8,000 pounds. The city agrees that this exemption creates some equity issues, particularly for residents and small businesses. To offset that inequity, the city is proposing to charge its three utilities (water, sanitary sewer, and storm sewer) a portion of road reconstruction costs. Businesses that typically have the largest trucks also pay for these utilities in greater proportion than residential properties. The idea is that allocating a portion of the former special assessment charges to the utilities will offset some of the inequities of a VRF.

**The proposed plan also includes revenue from utility fees. What is the cost impact for rate payers?**

Water, sanitary sewer, and storm sewer utilities would each be charged the amount necessary to restore roads after these utilities have been replaced. The annual increase needed for special assessment relief would be an annual increase in utility rates of between 0.25% and 0.5%. The impact on a \$100 monthly utility bill will average between \$0.25 - \$0.50 per month.

**If the funding plan amount is not enough to fund the yearly cost of projects, would there be less work done or money raised in another way?**

The \$750,000 charge to each utility is an estimated cost of an 8-foot utility trench for projects. Each of the utilities will be charged that annually, which will go into a separate Capital Projects Fund. While the cost of an individual utility trench may vary

year to year, city staff will use this average amount and leave it in the Capital Projects Fund to cover any costs that may be over or under the actual cost. City staff will review the VRF amount and the utility contributions on a regular basis to determine if projects are being funded on a sufficient basis.

**If the Vehicle Registration Fee won't be collected until sometime after July 1, 2024, how will the lost revenue from the first half of the year be accounted for?**

The city will borrow an additional amount to make up the difference in the first year of implementation.

**Why don't we use my property taxes to pay for these improvements?**

Property owners already pay for a portion of road reconstruction projects through property taxes. The amount collected through special assessments has been done to also collect from the many non-taxable properties in the city of Oshkosh, such as state-owned properties, educational institutions, and churches. The city has looked for ways to replace special assessments with a revenue source that continues to charge a portion of road reconstruction costs to these same properties. The combined Vehicle Registration Fee (VRF) and the use of utility funds helps achieve that objective.

**Does the City benefit from the gas tax that already exists, and why isn't this used for road reconstruction?**

The city receives a portion of gas tax revenue through the state for road maintenance purposes, such as snow plowing and minor repairs. This amount covers a portion of the city's operating costs for its Streets Division.

**Is it possible to create a city sales tax to fund special assessments?**

By law, municipalities are not allowed to create sales taxes. Counties are able to create sales taxes, but are not obligated to distribute those funds to other governmental entities.

**What improvements will continue to be special assessed?**

New developments and new utility construction will continue to be special assessed. Water, sanitary sewer, and storm sewer laterals to a property will also still receive a special assessment.

**Why are water, sanitary sewer, and storm sewer laterals special assessed?**

Utility laterals are deemed by the State Public Service Commission as items that directly benefit individual properties. As such, laterals must be paid by the benefitting properties. Special assessments are the most efficient way to recoup these costs from individual properties and will continue to be charged for utility laterals. Utility mains benefit the general utility user and are funded through monthly utility charges.

**What is the time frame for Common Council consideration of this plan?**

The Common Council will discuss this plan in a “first reading” at their February 13, 2024 meeting. If their deliberations proceed without making any changes in the timeline for consideration, the plan would receive final consideration at the February 27, 2024 meeting of the Common Council.

**When will this new funding method take effect?**

This special assessment relief will take effect for projects that begin on or after January 1, 2024. The vehicle registration fee will begin appearing on vehicle registration renewals sometime after July 1, 2024.

**For those who paid a special assessment in recent years, is there a way for them to be compensated after this plan is implemented?**

The city will be unable to refund previously paid special assessments that were approved, charged, or collected under the previous method. The city also does not have funding available to defer new fees for those who were recently special assessed. This new approach seeks to establish a sustainable funding source that will move Oshkosh forward from the present time.

**For those who paid a special assessment in recent years, is there a way for them to be exempted from the vehicle registration fee for any period of time?**

The vehicle registration fee is administered by the State of Wisconsin and the city does not have any way of exempting individual vehicles or groups of vehicles from the fee. If a municipality decides to enact a vehicle registration fee, the state will apply that fee to all statutorily allowed vehicles.

Revised 2/14/2024