

City of Milwaukee

Legislative Reference Bureau – Fiscal Review Section

**Analysis of Sale of Water to City of Wauwatosa  
for Resale to the Village of Elm Grove**

Prepared by Emma J. Stamps, Legislative Fiscal Analyst Lead

February 22, 2006

## **Overview- Sale of Water to the Village of Elm Grove**

The Village of Elm Grove (“Elm Grove”) was incorporated in 1955 is located 8 miles west of downtown Milwaukee; an upper-middle-class Milwaukee suburb located in eastern Waukesha County, bounded by North Avenue, Bluemound Road, Pilgrim Parkway and N 124<sup>th</sup> Street (the Waukesha County Line). The City of Brookfield borders Elm Grove to the north, south, and west, and the City of Wauwatosa (“Wauwatosa”) borders Elm Grove to the east.

Elm Grove, located entirely within the Lake Michigan basin, has no municipal water. Private individual and shared wells service its 2,470 homes, condominiums, schools, and businesses. A tabulation of each property by type is provided on page 2. On August 10, 1998, the Elm Grove Board of Trustees adopted Resolution 98-810A to begin discussions with the City of Milwaukee (“Milwaukee”) regarding a sale of treated water to Elm Grove on either a direct retail or wholesale basis.

Conceptually, the sale could have generated up to \$300,000 annual revenues for the Milwaukee Water Works (MWW), based on annual sales volumes of 400 million gallon per year. To date, Elm Grove has not pursued negotiation of water sales with Milwaukee; instead, it has decided to explore a third option – a purchase of Milwaukee’s treated water from Wauwatosa under an amended mutual aid agreement between Milwaukee and Wauwatosa. Each municipality must adopt resolutions pertaining to the amended agreement.

Elm Grove’s interest in purchasing lake water as an alternative water source is due to residents’ concerns about high sulfate and iron contents in well water, a need to increase fire protection capabilities, the high price of maintaining private wells, and recently, an urging from downtown businesses and condominium owners. A memo dated December 21, 2005, expressed Elm Grove’s intent “to apply to Wauwatosa to have a portion of Elm Grove [40 downtown properties east to the Elm Grove-Wauwatosa boarder] included in its [Wauwatosa] water utility.” Only those properties that elect to hook up to the system would pay for the service. If there was greater interest, Elm Grove might expand the system.

Shallow wells exposure to pollutants induces poor water qualities that, in some areas, measure high in sulfates and iron content. Many Elm Grove homeowners have added iron filters to their water systems due to higher than average iron in the water. An estimated 1,500 individual and subdivision wells service the entire village. In the absence of a municipal system, Elm Grove does not maintain, analyze, or report on water consumption patterns and pumpage rates, although the Elm Grove Board of Trustees (8/26/2003) meeting minutes reported wells drying up. Elm Grove does not have the authority to restrict the use of private wells.

Besides public health concerns, Elm Grove plans to increase fire protection capabilities using the water purchase to complement emergency fire services agreements with Wauwatosa and Brookfield. The Elm Grove fire department uses 3,000 feet of 5-

inch connecting hoses in fire fighting operations, refilling 5,600-gallon tanker shuttles from Wauwatosa, Brookfield, or the Elm Grove Hall well. An alternative water source would also provide a cost effective means to providing additional fire suppression within existing or rebuilt commercial structures, assisting business redevelopments. State fire codes mandate costly sprinkling systems with backup pumps and treatment equipment that makes redevelopment of properties in an area without municipal water more expensive.

Citizens, businesses, schools, and institutional and public customers would use treated water from Milwaukee through an agreement with Wauwatosa. Table 1 summarizes the existing parcels and land uses in Elm Grove. As shown, the majority of parcels in Elm Grove, 94.35 percent, are residential. Another 3.67 percent are commercial parcels, and less than 1 percent are manufacturing parcels. Only 4.29 percent of parcels are undeveloped, and many of these parcels are the second lot of a double residential lot owned by a single property owner.

TABLE 1: Elm Grove of Elm Grove Summary of Existing Parcels and Land Uses  
Source: Wisconsin DOR 2005 Statement of Assessments as Reported on or Before 10/18/2005

Land Use Category	Parcels	Improvements	Percent of Land Use	Assessed Value
Residential	2,436	2,388	96.36%	\$913,890,700
Non-residential				
Commercial	91	82	3.60%	92,927,700
Manufacturing (UPS property)	1	1	0.04%	1,370,800
<b>Total</b>	<b>2,528</b>	<b>2,471</b>	<b>100%</b>	

Because Elm Grove is “built out,” most vacant parcels are attached to single-family residences for teardowns, whereby buyers purchase the property then demolish the existing house to build a larger new house. One to 2 teardowns happen each year to build 1,800+ sq. ft. executive class, suburban-style homes on lot sizes 0.25 to 3 acres. The purchase of Milwaukee water could influence existing and new home construction real estate prices.

The two commercial districts are located along Watertown Plank Road and Bluemound Road. Downtown business and condominium owners have expressed interest in obtaining municipal water because of the cost of maintaining private systems and water-quality concerns about heavy iron and sulfur.

Elm Grove listed several reasons for not owning and operating its own water utility including the cost of capital, problems with an existing source water supply, administration and overhead costs for operating small municipal water utilities. Under the alternative Wauwatosa agreement, savings would be recognized in administration and overhead costs.

Elm Grove is responsible for costs to connect the downtown and potentially, the entire Elm Grove to the treated water supply. Initially, only a portion of Elm Grove roughly bounded by 124<sup>th</sup> Street, Watertown Plank Road, Elm Grove Road, and Bluemound Road, would receive service. If amended, the agreement makes Elm Grove responsible for costs including the water distribution system, hydrants, a pressure booster station and storage reservoir, pumps, meters, and appurtenances. A pressure booster station in Wauwatosa is also required to service Elm Grove's western half. Elm Grove could consider financing the downtown infrastructure costs within the tax incremental financing district number one, created to finance Elm Grove's storm water utility. Most of downtown is within a floodplain.

Other options available to Elm Grove, should the City of Milwaukee not permit expanding the Wauwatosa service area, include resuming negotiations directly with Milwaukee to have the Milwaukee Water Works, instead of the Wauwatosa Water Utility, to operate and maintain a municipal water system and bill its customers. Elm Grove could also explore contracting through another wholesale customer, drilling more shallow wells or blending water supply with other new wells to meet environmental compliance standards.

### **Impact on the City of Wauwatosa Water Sale Agreement**

In 1958, Milwaukee and Wauwatosa entered into a wholesale water sale agreement, currently set to expire in December 2013. Water utilities set out the rates, terms and conditions of service, retail and wholesale, in Public Service Commission (PSC)-reviewed filings referred to as tariffs. Under the agreement, Milwaukee sells an unlimited supply of treated water to Wauwatosa at wholesale rates pursuant to Public Service Commission of Wisconsin tariffs; and Wauwatosa maintains its own distribution and billing systems. Milwaukee charges Wauwatosa for general and fire protection services based on PSC Authorization 3720-WR-104, effective March 1, 2002, under Schedule No. W-1 Suburban Resale Service (Metered) Amendment No. 99, based on 972 CCF (100 cubic feet) base maximum hourly demand accordingly:

Monthly General Service	=	\$ 63,583 (\$190,750 quarterly)
Monthly Fire Protection	=	\$ 10,933 (\$32,800 quarterly)
Commodity Charge	=	\$ 0.44 per 100 cubic feet

The Water Works reports earning \$2 million revenues in 2004 under the agreement and would not request the PSC to adjust the fee schedule should Wauwatosa agree to resale 1.1 MGD to Elm Grove. Wauwatosa must request permission from the Milwaukee Common Council to resell any portion of that water to areas outside its municipal limits or to expand the service area. No letters from Wauwatosa related to a resale of water to Elm Grove have been filed with the City Clerk's Office. According to the Water Works, the PSC would set several Wauwatosa tariffs to define the rates, terms, and conditions of the water sale to Elm Grove; that sale cannot be amended into Milwaukee's tariffs since Wauwatosa is to become the seller and Elm Grove the customer. As such, billings to Elm

Grove for water consumption could be based on volumetric consumption versus commodity charges.

Wauwatosa has capacity to serve Elm Grove, but may require more storage and pump facilities. Elm Grove intends to apply to Wauwatosa for water distribution and billing services for a portion of Elm Grove and that, upon Elm Grove installing a distribution system, Wauwatosa Water Utility would become the system owner/operator. Wauwatosa has agreed to explore the opportunity, provided no cost to Wauwatosa. In 2000, these parties examined the plan's feasibility in a water study. Those cost estimates are being updated.

### **Impact on the Milwaukee Water Works**

An engineering feasibility study, provided by the Water Works as supporting documentation to this resolution, reviews various engineering approaches for providing water to this community. Please refer to that document for details.

The Milwaukee Water Works serves more than 830,000 people in Milwaukee and 14 other municipalities. The utility average daily pumpage and distribution capacity totals 380 million gallons of water a day (MGD), of which 122 MGD (32.1%) is utilized and 258 MGD is excess capacity (67.9%). On the hottest summer days, pumpage and distribution has peaked to about 186 MGD. Average pumpage in 2004 was 121 MGD, down from 132 MGD in 1997. Annual pumpage decreased from 48.326 billion gallons to 44.309 billion gallons during that period, a decrease of 4.017 billion gallons (-8.32%). From 1997-2004, annual sales volume decreased 4.192 billion gallons (-10.1%), from 41.52 billion gallons to 37.327 billion gallons.

In the event that the City of Milwaukee decided not to amend the Wauwatosa agreement, then Elm Grove could explore a direct retail sale contract with Milwaukee Water Works, or, ask permission to enter into an agreement with other existing Water Works customers such as West Allis, Brookfield, or the Wisconsin Gas Company. Those agreements also would require Common Council approval.

## **COMMUNITY CHARACTERISTICS – THE VILLAGE OF ELM GROVE**

### **POPULATION**

Between 1990 and 2000, Elm Grove's population declined by 12 from 6,261 to 6,249. Between 2000-2004, the population increased from 6,249 to 6,250.

### **DEMOGRAPHICS**

As of the 2000 Census, Caucasians accounted for 6,070 (97.71%) of the 6,249 total population. African-American residents accounted for 27 (0.40%) of the total population. Other racial groups accounted for the remaining 152 residents (2.44%).

## INCOME

In 1999, 44, or 2.5% of families in Elm Grove had income below federal poverty guidelines, although none were families headed by female with no husband present. However, 181 or 3.0% of individuals were below the poverty guidelines.

The 2000 Census indicated that the median household income was \$86,212, median family income was \$108,209, and median per capita income was \$48,871 in 1999 dollars.

## COMMUNITY SIZE – AREA SQUARE MILES

Elm Grove is a relatively small community measuring 3.26 square miles. The population density is 1,919 per square mile.

## HOUSING

The housing density is 785 per square mile. The 2000 Census indicates that households increased from 2,258 in 1990 to 2,446 in 2000, an increase of 188 (8.33%). In 2000, there were 2,556 housing units, of which 2,444 (95.6%) were occupied resulting in a 4.4 % housing vacancy rate. 2,196 units (95.6%) were owner-occupied while renters occupied 248 units (10.1%). 3.9% or 85 occupied housing units had “No vehicles available”.

The median value of housing in Elm Grove based on 2000 Census data was \$263,900.

## BUSINESS EMPLOYMENT

2000 Census data on employment in Elm Grove indicate that the primary sources of employment are in education, health, and social services (28.7%), manufacturing (15.4%) and professions (15.4%).

<b>TABLE 2: ELM GROVE INDUSTRY: 2000</b>	<b>No.</b>	<b>Pct.</b>
Agriculture, forestry, fishing and hunting, and mining	0	0.0
Construction	137	5.1
Manufacturing	412	15.4
Wholesale trade	92	3.5
Retail trade	252	9.5
Transportation and warehousing, and utilities	87	3.3
Information	57	2.1
Finance, insurance, real estate, and rental and leasing	187	7.0
Professional, scientific, management, administrative, and waste management services	409	15.4
Educational, health and social services	764	28.7
Arts, entertainment, recreation, accommodation and food services	170	6.4
Other services (except public administration)	86	3.2

Public administration	11	0.4
<b>TOTAL</b>	<b>2664</b>	<b>100</b>
<i>Source: DP-3. Profile of Selected Economic Characteristics: 2000</i>		

## LOCAL PROPERTY TAX RATE TRENDS

Between 2000-2005, Elm Grove's tax rate for village purposes decreased from \$8.34 to \$6.03, a decrease of 27.71% or \$2.31 per \$1000 assessed valuation.

Elm Grove's 2005 assessed property value, \$1,016,078,705 represents a \$395,824,515 (63.82%) increase over the \$620,254,190 2000 assessed property value. Table 3 shows the annual rates and values from 2000 to 2005.

**TABLE 3: ELM GROVE VILLAGE PROPERTY TAX RATE PER \$1000 ASSESSED VALUATION**

Source; Elm Grove Village Clerk-Deputy Treasurer

Year	Village rate per \$1000 Assessed Valuation	Assessed value
2000	\$8.34	\$620,254,190
2001	\$8.59	\$626,349,340
2002	\$8.96	\$629,695,595
2003	\$8.96	\$632,104,570
2004	\$6.35	\$943,445,645
2005	\$6.03	\$1,016,078,705

## REVENUE TRENDS

Elm Grove revenues have increased from \$8.388 million in 1999 to \$13.961 million in 2003, an increase of \$5.572 million or 66.43 %. Other financing sources increases are largely due to borrowings. In 2001, the village refinanced debt to take advantage of low interest rates, made payments for an outstanding MMSD sewerage settlement and building renovations. The first borrowing for storm water improvements tax incremental district no. 2 occurred in 2003.

**TABLE 4: ELM GROVE REVENUES 1999-2003**



**ELM GROVE'S REVENUES 1999-2003\***

	1999	2000	2001	2002	2003	1999-2003 CHANGE	% CHG
ALL TAXES (PROPERTY, TIF, PILOT, ETC.)	\$5,164.5	\$5,260.8	\$5,193.7	\$5,403.0	\$5,665.0	\$500.5	9.69%
SPECIAL ASSESSMENT	0.0	0.0	0.0	0.0	0.0	0.0	-
INTERGOVERNMENTAL REVENUES	1,172.6	1,122.4	1,059.4	1,755.5	1,126.7	-45.9	-3.91%
LICENSES & PERMITS	90.9	97.1	114.2	114.1	142.2	51.3	56.44%
FINES, FORFEITS, & PENALTIES	103.2	132.3	112.7	125.6	118.8	15.6	15.12%
PUBLIC CHARGES FOR SERVICES	1,067.1	1,008.6	1,134.7	1,142.9	1,222.8	155.7	14.59%
INTERG. CHARGES FOR SERVICES	3.2	3.0	95.1	1.5	0.0	-3.2	-
MISCELLANEOUS REVENUES	433.3	872.4	521.1	315.5	283.2	-150.1	-34.64%
<u>OTHER FINANCING SOURCES</u>	<u>353.8</u>	<u>0.0</u>	<u>6,385.0</u>	<u>0.0</u>	<u>5,402.4</u>	<u>5,048.6</u>	<u>1426.96%</u>
<b>TOTAL REVENUE</b>	<b>\$8,388.6</b>	<b>\$8,496.6</b>	<b>\$14,615.9</b>	<b>\$8,858.1</b>	<b>\$13,961.1</b>	<b>\$5,572.5</b>	<b>66.43%</b>

\* Expressed in Thousands of Dollars

SOURCE: COUNTY AND MUNICIPAL REVENUES AND EXPENDITURES 1999-2003

WISCONSIN DEPARTMENT OF REVENUE (DOR)

**MUNICIPAL EXPENDITURE TRENDS**

Elm Grove's expenditures have increased from \$7.187 million in 1999 to \$9.444 million in 2003, an increase of \$2.256 million or (31.4%). Increases in 2001 are directly related to Other Financing Sources in the table above.

**TABLE 5: ELM GROVE EXPENDITURES 1999-2003**

ELM GROVE'S EXPENDITURES 1999-2003*						
	1999	2000	2001	2002	2003	1999-2003 CHANGE
EXPENDITURES						
OPERATING & CAPITAL EXPEND.	\$6,163.8	\$7,284.7	\$6,976.1	\$7,798.3	\$7,548.4	\$1,384.6
TOTAL DEBT SERVICE	1,023.8	841.1	1,179.9	1,152.7	1,162.0	138.2
OTHER FINANCING USES	<u>0.0</u>	<u>0.0</u>	<u>6,383.8</u>	<u>0.0</u>	<u>733.6</u>	<u>733.6</u>
<b>TOTAL EXPENDITURE</b>	<b>\$7,187.6</b>	<b>\$8,125.8</b>	<b>\$14,539.8</b>	<b>\$8,951.0</b>	<b>\$9,444.0</b>	<b>\$2,256.4</b>

\* Expresses in Thousands of Dollars

SOURCE: COUNTY AND MUNICIPAL REVENUES AND EXPENDITURES 1999-2003

**TOTAL NUMBER OF FULL-TIME EMPLOYEES**

The Village of Elm Grove operates with a seven-member Village board and a Village Manager (trustee/manager) form of government providing standard services such as street maintenance, snow removal, street lighting, a public library, and recreation and forestry services. The number of full-time employees has increased slightly from 37 in 1994 to 43 in 2002, an increase of 6 (16.2%).

**Local government employment and payroll (March 2002)**

<http://www.city-data.com/city/Elm-Grove-Wisconsin.html>

Function	Full-time employees	Monthly full-time payroll	Average yearly full-time wage	Part-time employees	Monthly part-time payroll
Firefighters	0	\$0		1	\$1,522



## Local government employment and payroll (March 2002)

<http://www.city-data.com/city/Elm-Grove-Wisconsin.html>

Function	Full-time employees	Monthly full-time payroll	Average yearly full-time wage	Part-time employees	Monthly part-time payroll
Police - Other	6	\$16,857	\$33,714	2	\$2,794
Police Protection - Officers	18	\$91,126	\$60,750	0	\$0
Judicial and Legal	0	\$0		3	\$2,172
Other Government Administration	4	\$15,737	\$47,211	2	\$1,578
Financial Administration	2	\$7,443	\$44,658	0	\$0
Parks and Recreation	1	\$2,128	\$25,536	1	\$200
Local Libraries	2	\$6,525	\$39,150	13	\$8,688
Solid Waste Management	0	\$0		1	\$330
Streets and Highways	10	\$55,954	\$67,144	0	\$0
Totals for Government	43	\$195,771	\$54,633	23	\$17,284

---

**Sources:**

City of Milwaukee's Legislative Reference Bureau Survey: Elm Grove of Elm Grove's Response

Economic Profile Elm Grove of Elm Grove prepared by the Southeastern Wisconsin Regional Planning Commission & Wisconsin Electric Power Company – March 1999.

Elm Grove Board of Trustees Meeting Minutes, August 26,2003, Retrieved 2/13/2006, Pg.1,  
<http://www.elmgrovewi.org/minutes/2003/bt082603m.pdf#search='elm%20grove%20wells%20wauwatosa'>

Elm Grove downtown master plan, University of Wisconsin Milwaukee School of Architecture and Urban Planning, December 2001, Retrieved 2/13/2006,  
<http://www.uwm.edu/SARUP/gallery/planning/planstudentpdf/downtownmasterplanfinal.pdf#search='elm%20grove%20wauwatosa'>

Elm Grove wants to buy lake water from Milwaukee: Supply would come through Wauwatosa's facility, in that city's first such deal, Retrieved 2/13/2006,  
<http://www.jsonline.com/news/wauk/aug05/347530.asp>

Public Service Commission of Wisconsin Water Utility Reports

United States 2000 Census