



MEMORANDUM

LEGISLATIVE REFERENCE BUREAU

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To: Finance & Personnel Committee
From: Kathleen Brengosz, Fiscal Planning Specialist, x3926
Date: October 20, 2017
Subject: Small Cell Pole Lease

The following information is in response to your questions regarding the Small Cell Pole Lease.

Many municipalities are pursuing the installation of small cell technology. Small cell deployments have been/are currently being constructed in many states, including California, Illinois, Texas, Arizona, Maryland, Minnesota, Ohio, Iowa and others. Wisconsin communities include Wauwatosa, West Allis, Green Bay and Madison. In 2015, the LRB Library researched legislation relative to small cell installations in other cities. Please let me know if you would like copies of the legislation in other cities.

The City has signed 5-year agreements with several companies which allow for the installation of small cell equipment on City-owned poles. The per-pole rental is \$1,800 per year with a 3% annual escalator. Proposed State legislation (AB348/SB425) would limit annual lease payments to \$100 per pole. If the legislation is in effect at the beginning of 2018, and no consideration is given to the existing contracts, the City will lose \$1.3 million in revenue. If the State allows 25 months of consideration, the City will lose nearly \$920,000 in revenue. Over the next 25 years, lost revenue on the 300 poles currently under contract will be between \$16.7 million and \$18.0 million.

In addition to lost lease revenue, AB348/SB425 will also limit the permit fees for poles installed in the City's right-of-way. The fee for a pole permit has two components. The Department of Public Works charges a base fee of \$115 for each block where poles will be installed, and a separate inspection fee for each pole. This fee structure takes into consideration the efficiency that can be achieved when inspecting poles that are close together. The proposed legislation would allow 30 poles to be grouped together on a single permit regardless of their location. Permit fees would be limited to \$100 per pole for the first 5 poles and \$50 per pole for subsequent poles. Based on the State legislation, an application for 30 poles on 30 different blocks in the City would incur a fee of \$1,750. Under the same scenario, the current base permit fee would be \$3,450. Actual revenue losses related to permit fee restrictions are difficult to predict, because of uncertainties regarding the total number of installations, the location of the poles and the size of the permit applications.

The Department of Intergovernmental Relations has confirmed that the League of Wisconsin Municipalities remains neutral on the proposed legislation.

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