



# Wisconsin Levy Limits Strategies

February 17, 2022

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# WELCOME!

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Levy Limits “At-a-Glance”

Levy Limits Strategies

Referendum Prep & Case Study

Q&A

# Levy Limits “At-a-Glance”

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- Current limit (Sec. 66.0602, Wis. Stats.):

**The prior year’s actual levy may be increased by a percentage equal to net new construction in the preceding year (or zero, if none)**

- ✓ Subject to numerous adjustments that may reduce or increase allowable levy
- County rate limits:
  - ✓ Operating levy rate limits permanently repealed in 2013
  - ✓ Debt levy rate limits still apply

# Levy Limits: Process

- File form SL-202 with DOR every December
- Form calculates Allowable Levy for upcoming year
  - ✓ Part Science: DOR pre-filled items
  - ✓ Part Art: How to complete (claim) adjustments sections


Form SL-202m		2021 Municipal Levy Limit Worksheet		WI Dept of Revenue	
Year 2021	Co-muni Code Municipality	County	Account No.	Report Type	
<b>Section A: Determination of 2021 Payable 2022 Allowable Levy Limit</b>					
1	2020 payable 2021 actual levy plus 2021 personal property aid ( 2,815.21 )			\$1,258,096	
2	Exclude prior year levy for unreimbursed expenses related to an emergency			\$0	
3	Exclude 2020 levy for new general obligation debt authorized after July 1, 2005			\$362,891	
4	2020 payable 2021 adjusted actual county levy (Line 1 minus Lines 2 and 3)			\$895,205	
5	0.00% growth, plus terminated TID ( 0 % ), plus TID subtraction ( 0 % ) applied to 2020 adjusted actual levy			\$895,205	
6	Net new construction ( 3.377 % ), plus terminated TID ( 0 % ), plus TID subtraction ( 0 % ) applied to 2020 adjusted actual levy			\$925,436	
7	Greater of Line 5 or Line 6			\$925,436	
8	2021 levy limit before adjustments less 2022 personal property aid ( \$3,098.33 )			\$922,338	
9	Total adjustments (from Sec. D, Line U)			\$462,514	
10	2021 Payable 2022 Allowable Levy (sum of Lines 8 and 9)			\$1,384,852	
11	Higher levy approved by special resolution at a special meeting of Town electors				
<b>Section B: Adjustment for Previous Year's Unused Levy (sec. 66.0602(3)(f), Wis. Stats.)</b>					
1	Previous year's allowable levy			\$1,255,281	
2	Previous year's actual levy			\$1,255,281	
3	Previous year's unused levy (Line 1 minus Line 2)			\$0	
4	Previous year's actual levy \$1,255,281 x 0.015			\$18,829	
5	Allowable Increase (lesser of Lines 3 or 4)			\$0	
<b>Section C: Adjustment for Prior Years Unused Levy Carryforward (sec. 66.0602(3)(fm), Wis. Stats.)</b>					
1	2020 unused percentage			0.000%	
2	2019 unused percentage			0.000%	
3	2018 unused percentage			0.000%	
4	2017 unused percentage			0.000%	
5	2016 unused percentage			0.000%	
6	Total unused percentage (sum of Lines 1-5)			0.000%	
7	Previous year's actual levy due to valuation factor			\$895,205	
8	Allowable Increase (Line 6 multiplied by Line 7)			\$0	

SL-202m Municipal Levy Limit Worksheet  
Wisconsin Department of Revenue

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# Levy Limits: Strategies

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- ✓ Using the Carryforward
  - ✓ Debt Service Adjustment Line E
  - ✓ (Water) Public Fire Protection

# Levy Limit Strategies: Carryforward Summary

	One-Year Carryforward		Five-Year Carryforward
Allowable Amount	Capped at 1.5% of prior year's <b>actual levy</b>		Capped at 5.0% of prior year's <b>actual levy less adjustments</b>
Occurs When	Prior year's <b>actual levy</b> was less than <b>allowable levy</b>		Percentage increase in <b>actual levy less adjustments</b> in prior years was less than <b>net new construction</b>
Approval	Up to 0.5% Majority	0.51 % - 1.5% $\frac{3}{4}$ Majority	$\frac{2}{3}$ Majority
G.O. Debt Test	Does not apply		G.O. debt outstanding in current year must be less than in prior year to claim

For towns, a majority vote of the electors at an annual or special town meeting is required for the one-year carry forward.

# Carryforward Options

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- Cannot claim both the one-year carryforward and five-year carryforward in the same year
- Most local governments will not have a carryforward as a result of claiming an adjustment for G.O. debt service authorized after July 1, 2005
- One-year carryforward: use Section D, Adjustment A
- Five-year carry forward: use Section D, Adjustment R

# Strategies: Debt Service Adj. Background

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- Line B & C = pre-July 1, 2005 debt
- Line E = post-July 1, 2005 debt
- Some of the debt service adjustments are based on the debt payment, while others are based on the debt levy. Important to note this distinction:
  - ✓ “Debt” or “Debt Service” refers to gross principal and interest payment due
  - ✓ “Debt Service Levy” refers to that part of the debt payment actually paid from the tax levy (net of abatement sources such as TIF increments, utility revenues, special assessments, etc.)



# Debt Service Adjustments: Background

- Debt service for G.O. Debt authorized on/after July 1, 2005

Maximum allowable amount for this line

Amount needed

Issue Dated	General Obligation Corporate Purpose Bonds 9/1/2008			General Obligation Promissory Notes 3/1/2012			Total Payment	Less Utility Revenues	Less Impact Fees	Total Levy	
Year	Prin (9/1)	Interest	Total	Prin (3/1)	Interest	Total					YEAR
2021	290,000	115,920	405,920	190,000	17,230	207,230	613,150	(202,960)	(25,000)	385,190	2021
2022	300,000	106,350	406,350	200,000	12,840	212,840	619,190	(203,175)	(25,000)	391,015	2022
2023	310,000	96,150	406,150	210,000	8,020	218,020	624,170	(203,075)	(25,000)	396,095	2023
2024	320,000	85,300	405,300	220,000	2,750	222,750	628,050	(202,650)	(25,000)	400,400	2024
2025	330,000	73,780	403,780				403,780	(201,890)	(25,000)	176,890	2025
2026	340,000	61,570	401,570				401,570	(200,785)	(25,000)	175,785	2026
2027	350,000	48,650	398,650				398,650	(199,325)	(25,000)	174,325	2027
2028	375,000	35,000	410,000				410,000	(205,000)		205,000	2028
2029	400,000	20,000	420,000				420,000	(210,000)		210,000	2029
TOTAL	3,015,000	642,720	3,657,720	820,000	40,840	860,840	4,518,560	(1,828,860)	(175,000)	2,514,700	

# Debt Service Adjustments: Background

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- Amount claimed will be subtracted out the following year
  - ✓ Claim only what you need and will actually levy
  - ✓ If you overstate (maximum allowable levy exceeds actual levy), you create a penalty.
- If I am paying some of my post July 1, 2005 G.O. debt with other than levy dollars, can I claim the total payment amount and use that levy capacity for other purposes?
  - ✓ Yes, but be cautious



# Debt Service Adjustment Strategies

- Post July 1, 2005 G.O. debt service adjustment related strategies to consider:
  - ✓ Increase allowable levy
  - ✓ Achieve a capital levy through issuance of G.O. debt repaid in same budget year





# Line E Strategies 1: Increase Allowable Levy

Difference = Additional levy capacity available

Maximum allowable amount for this line

Amount needed

Issue Dated	General Obligation Corporate Purpose Bonds 9/1/2008			General Obligation Promissory Notes 3/1/2012			Total Payment	Less Utility Revenues	Less Impact Fees	Total Levy	
Year	Prin (9/1)	Interest	Total	Prin (3/1)	Interest	Total					YEAR
2021	290,000	115,920	405,920	190,000	17,230	207,230	613,150	(202,960)	(25,000)	385,190	2021
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2024	320,000	85,300	405,300	220,000	2,750	222,750	628,050	(202,650)	(25,000)	400,400	2024
2025	330,000	73,780	403,780				403,780	(201,890)	(25,000)	176,890	2025
2026	340,000	61,570	401,570				401,570	(200,785)	(25,000)	175,785	2026
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2028	375,000	35,000	410,000				410,000	(205,000)		205,000	2028
2029	400,000	20,000	420,000				420,000	(210,000)		210,000	2029
TOTAL	3,015,000	642,720	3,657,720	820,000	40,840	860,840	4,518,560	(1,828,860)	(175,000)	2,514,700	

# Line E Strategies 1: Caution

Penalty results from claiming a larger than needed adjustment  
(i.e. allowable levy exceeds actual levy).

Disadvantageous

	2020/21	2021/22
Base Levy	1,000,000	1,050,000
Post-2005 Debt Adj.	100,000	-100,000
<b>Allowable Levy</b>	<b>1,100,000</b>	<b>950,000</b>
Actual Levy	1,050,000	

Advantageous

	2020/21	2021/22
Base Levy	1,000,000	1,050,000
Post-2005 Debt Adj.	50,000	-50,000
<b>Allowable Levy</b>	<b>1,050,000</b>	<b>1,000,000</b>
Actual Levy	1,050,000	

# Line E Strategies 1: Caution

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- Claim only what you need and will actually levy
  - ✓ Use for capital projects or non-recurring expenditures
- A concern if additional levy will be used for recurring operating expenses
  - ✓ Works only if outstanding debt payments remain stable or grow
  - ✓ Potential for a budget hole if debt payments decrease



# Line E Strategies 2: Capital Levy

**G.O. debt is exempt from levy limits regardless of term.**

Concept & process:

- Debt issued before approving levy for next budget year
- Debt repaid in that next budget year
- Additional cost vs. true cash levy funding is interest expense

Capital Equipment Budget	
PD Squad #1	50,000
PD Squad #2	50,000
PD Squad #3	50,000
Plow Truck	200,000
Staff Vehicle	35,000
<b>TOTAL</b>	<b>385,000</b>

Short Term Financing			
Principal	Rate	Interest (90 Days)	Total Payment
50,000	2.500%	313	50,313
50,000	2.500%	313	50,313
50,000	2.500%	313	50,313
200,000	2.500%	1,250	201,250
35,000	2.500%	219	35,219
<b>385,000</b>		<b>2,406</b>	<b>387,406</b>

# Line E Strategies 2: Capital Levy

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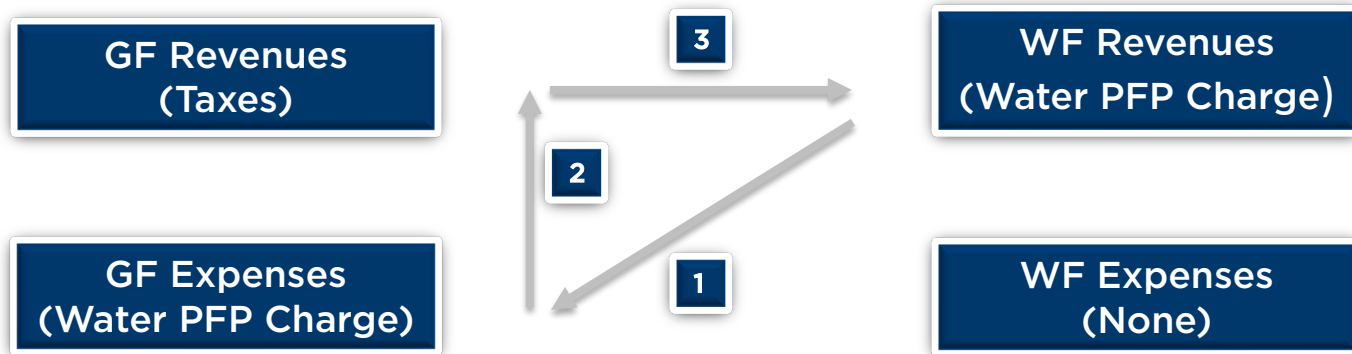
- Accounting Considerations
  - ✓ Long-term debt (term of at least a year and a day) is treated differently than short-term debt
  - ✓ Short-term debt used in this manner may complicate financial statement reporting with a surplus in the debt service fund at year end and corresponding deficit in capital projects fund
  - ✓ A note issued for a year and a day (long-term debt) but repaid sooner may still be considered short-term debt
- Consult with your Municipal Advisor and auditor before using this technique



# (Water) Public Fire Protection Strategies

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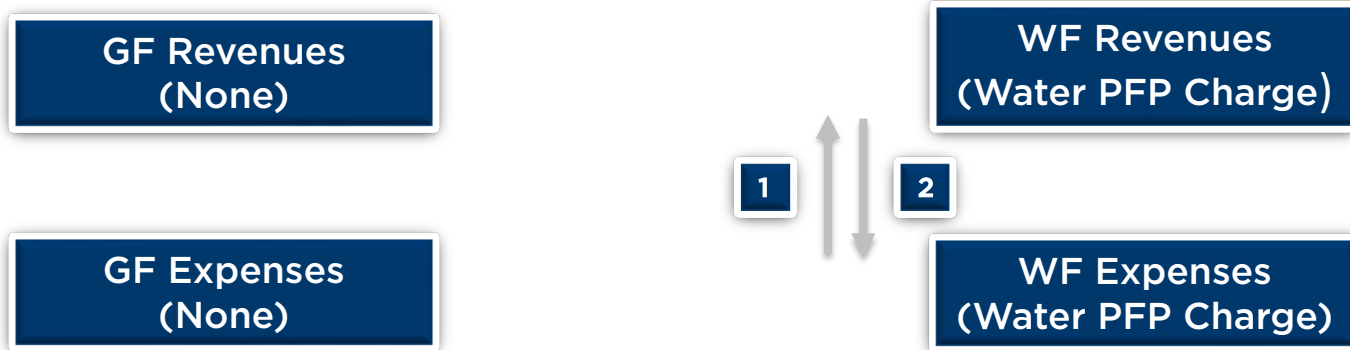
- Move PFP from Tax Roll to Water Bill
- Many communities have PFP Charge as GF Expenditure paid through tax roll (GF Revenue). Then GF pays Water Fund (WF Revenue)



# (Water) Public Fire Protection Strategies

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- Moving PFP Charge to water bill = change to in-line transaction to remove GF Expense
- GF Expenses = GF Revenues



# (Water) Public Fire Protection Strategies

- Where do I check?
  - ✓ WI PSC Tariff Schedule F-1
- If you have a municipal charge in part or full you can convert to water bill.

<b>RATE FILE</b>	Sheet No. <u>1 of 1</u>
	Schedule No. <u>F-1</u>
	Amendment No. <u>5</u>
<b>Public Service Commission of Wisconsin</b>	
<b>Village of Plover Municipal Water Utility</b>	
<b>Public Fire Protection Service</b>	
<p>The annual charge for public fire protection service to the Village of Plover shall be \$294,131.</p> <p>This service shall include the use of hydrants for fire protection service only and such quantities of water as may be demanded for the purpose of extinguishing fires within the service area. This service shall also include water used for testing equipment and training personnel. For all other purposes, the metered or other rates set forth, or as may be filed with the Public Service Commission, shall apply.</p>	
<hr/>	
EFFECTIVE: September 14, 2001	
PSCW AUTHORIZATION: 4737-WR-102	

# (Water) Public Fire Protection Strategies

PFP Charge Type	Utilities Count	% of Utilities
Combination Direct & Municipal Charge	102	18%
Direct Charge	231	40%
Municipal Charge	240	41%
Not Applicable	9	2%
<b>Grand Total</b>	<b>582</b>	<b>100%</b>

**59% of WI Public Utilities could use this LL Strategy!**

# (Water) Public Fire Protection Strategies

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- How do I change the charge?
  - ✓ Application: Changing Method of Cost Recovery for PFP Charge Outside of a Conventional Water Rate Case; or
    - Must be within 5 years of last Conventional
  - ✓ Conventional Water Rate Case

# (Water) Public Fire Protection: Caution

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- Do PFP 'payers' change?
  - ✓ Currently, taxpayer pays for PFP
  - ✓ Recommend all water customers and noncustomers who are in the Village and in water service area.
  - ✓ Only new PFP contributors are tax exempt water customers (i.e. school)
- What about outside users?
  - ✓ Currently pay thru surcharge rate and now they'll pay as water customer.

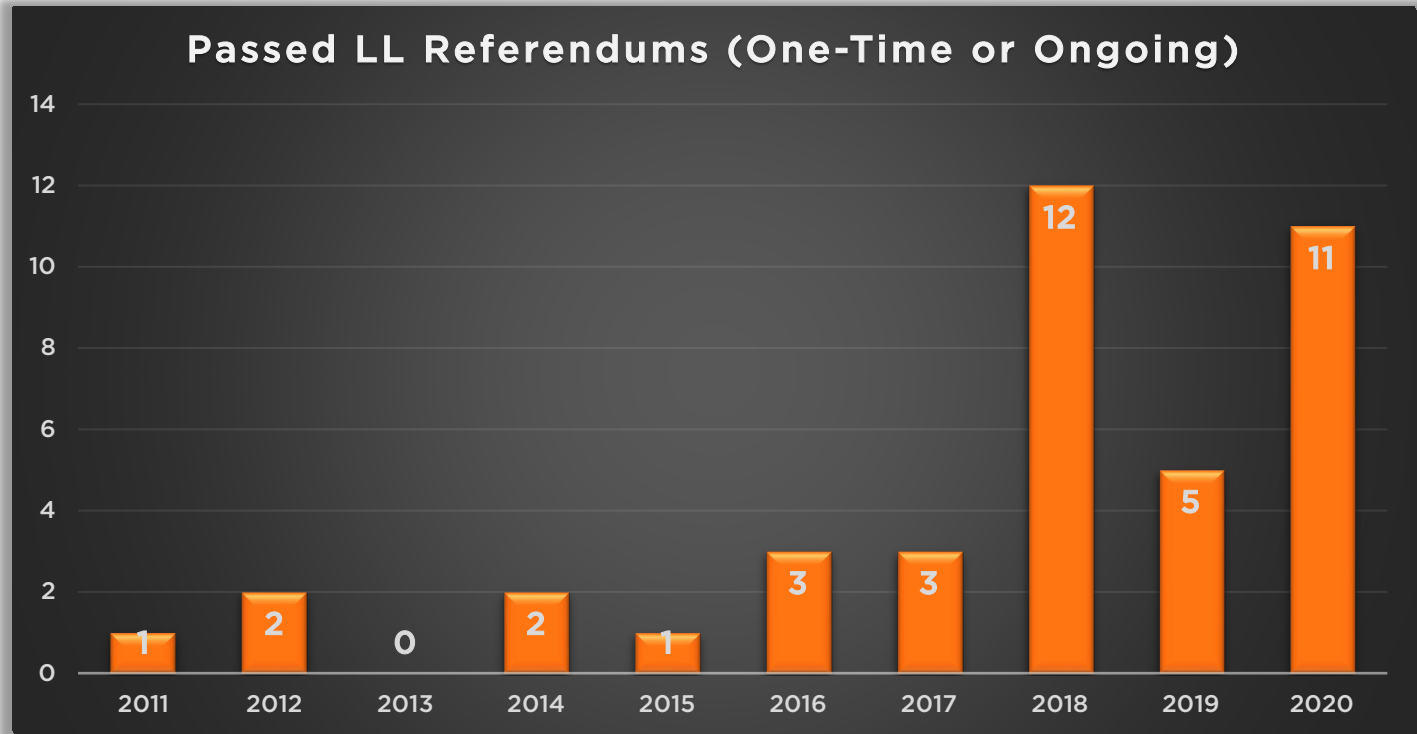


# We've Done Everything We Can! Now What?



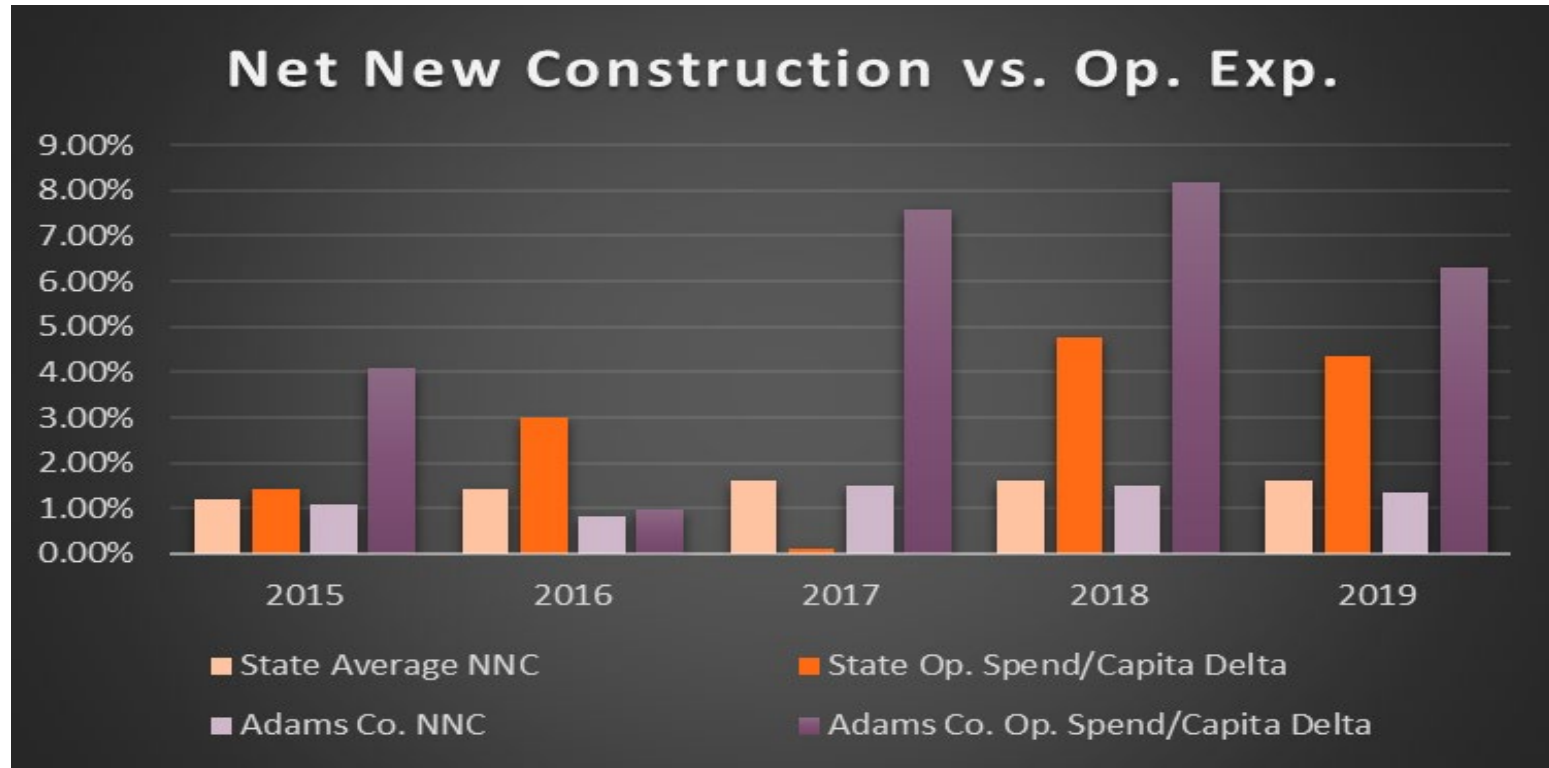
## Preparing for a Referendum

# You're Not Alone!





# Why are we here? NNC Outpaced by Expenses



# Preparing for a Referendum: Case Study

											No Referendum		95K Adj.			
											Estimated Budget		Proposed w/Ref. Inc.			
Levy Year		Actual 2016		Actual 2017		Actual 2018		Actual 2019		Actual 2020		Actual 2021		2021 2022		2021 2022
Budget Year		2017		2018		2019		2020		2021		2021		2022		2022
Line 1	Prior Year Actual Levy Plus Prior Year Personal Prop. Aid	1,123,612		1,123,282		1,172,950		1,199,436		1,216,685		1,258,096				1,258,096
Line 2	Prior Year Levy for Unreimbursed Emergency Expenditures	-		-		-		-		-		-		-		-
Line 3	Prior Year Levy for Post July 1, 2005 G.O. Debt	354,008		339,286		346,893		356,263		358,436		362,891				362,891
Line 4	Prior Year Adjusted Levy	769,604		783,996		826,057		843,173		858,249		895,205				895,205
Line 5	Closed TID	-		-		-		-		-		-		-		-
Line 6	Net New Construction Applied to Line 4	1.870%	783,996	5.365%	826,057	2.072%	843,173	1.788%	858,249	4.306%	895,205	4.306%	933,752	4.306%		933,752
Line 7	Greater of Line 5 or 6		783,996		826,057		843,173		858,249		895,205		933,752			933,752
Line 8	Levy Limit Before Adjustments, Less PP Aid	-	783,996	-	826,057	(3,381.45)	839,791	(3,098.33)	855,151	(2,815.21)	892,390	(2,815.21)	930,937	(2,815.21)		930,937
Line 9	Total Adjustments															
	E Post July 1, 2005 G.O. Debt		339,286		346,893		356,263		358,436		362,891		495,040			495,040
	F Levy Increase Approved by Referendum		-		-		-		-		-		-			95,000
Line 10	Allowable Levy		1,123,282		1,172,950		1,196,054		1,213,587		1,255,281		1,425,977			1,520,977
	Actual Levy		1,123,282		1,172,950		1,196,055		1,213,587		1,255,281		1,425,977			1,520,977
	Change in Allowable (Net of Debt) <sup>1</sup>				42,062		13,734		15,359		37,239		38,547			133,547
	Increase in Fire/EMS Actual or Budget				37,504		41,352		27,603		47,076					
	Residual Allowable Levy After Fire/EMS <sup>2</sup>				4,558		(27,618)		(12,244)		(9,837)					

# Preparing for a Referendum: Case Study

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- NNC being outpaced by Fire District Budget alone
- Village was forced to make budget cuts each year to meet Fire District needs
- Looked at analysis of effect on tax rates at various referendum amounts
- Referendum passed by 1 vote!

# Preparing for a Referendum: All Hands on Deck

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- Prepare by visiting WI Election Commission website
  - ✓ Required to send Type A-E Notices
- Discuss needs & due dates with County Clerk
- Develop a public relations & communications plan with governing body
- Create a timeline



# Questions?

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# Your Presenters

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