



## Alternative Funding Sources & Covered Services

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# Overview

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Levy Limits – Overview & Strategies

Alternative Funding Sources

Covered Services

Referendums (not covered today)

# Levy Limits “At-a-Glance”

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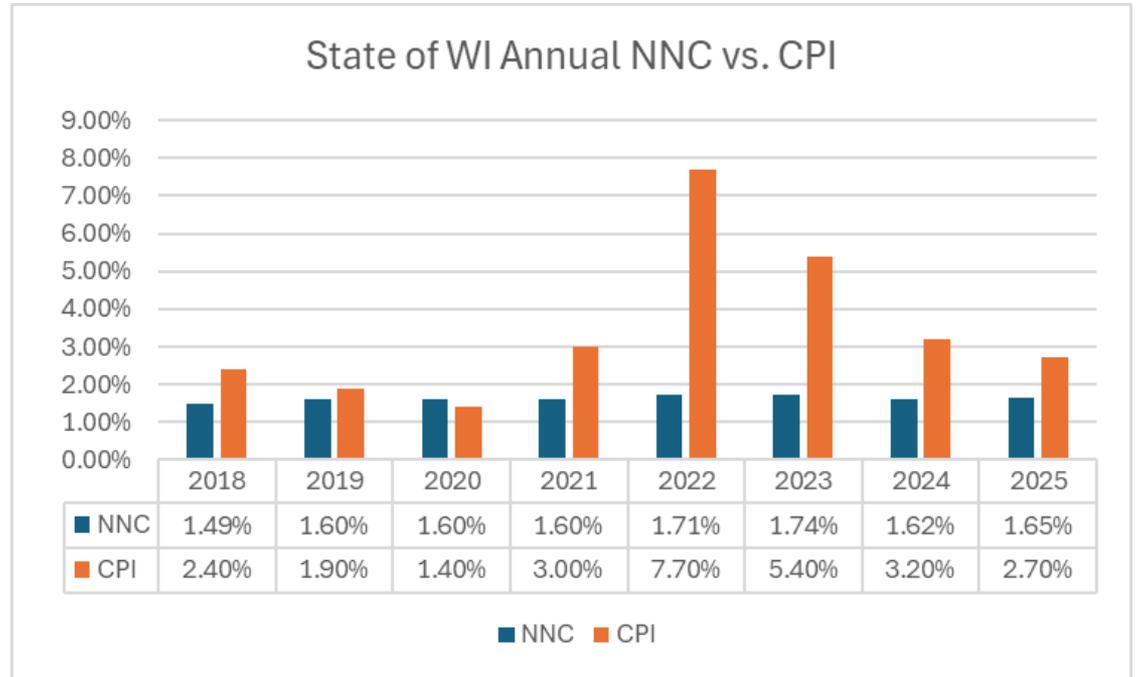
- Current limit (Sec. 66.0602, Wis. Stats.):

**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
- NNC is the new construction reduced by any demolition or destruction of buildings
- Critical to complete Levy Limit Worksheet usefully to maximize all available adjustments

# How Did We Get Here?

- Net new construction has **not** kept pace with inflation
  - ✓ 8-year average statewide NNC: 1.63%
  - ✓ 8-year average of CPI: 3.46%



Source: WI Department of Revenue



# LEVY LIMIT STRATEGIES

# Allowable Levy & Debt Service Adjustment

- Review your blank LL Worksheet: Line 8 LL Allowance before adjustments
- Know your allowable adjustments: debt, other
- Know minimum & maximum debt:
  - ✓ You can choose to use abated debt
  - ✓ Use with **extreme** caution for recurring expenses

Levy Year	2025
Budget Year	2026
<b>Levy Limits</b>	
Line 8 Allowable Before Adjustment (Base Levy)	4,562,713
Line E Adjustment (Actual or Proj. Min. Debt)	2,153,467
Other Adjustments	-
Total Allowable	6,716,180
Levy Need	6,716,180
Allowable (Deficit)/Excess	0
Max Allowable Line E	2,408,000
Remaining Line E Adjustment Capacity	254,532

# Short-Term Financing

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- Allows funding of capital projects on a near cash basis by converting the capital levy to short-term debt
- Debt issued must be G.O. and issued for a year and a day
- Advisable to pay off as soon as possible
- Must be issued prior to setting subsequent year's levy, for example:
  - ✓ Loan approved November 1
  - ✓ Loan P&I amount claimed as a Line E adjustment
  - ✓ Levy approved November 15
  - ✓ Loan repaid February 1
- Alternative (along with “regular” GO Notes) to equipment lease agreements

# Short-Term Financing: Example

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>

Additional cost to taxpayers as compared to true cash financing is \$2,406 in this example (90 days of interest expense)



# ALTERNATIVE FUNDING SOURCES

# Alternative Funding Sources

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- Public Fire Protection (PFP) Conversion
- Naming Rights / Sponsorships / Advertisements
- Urban Forestry Special Charge
- Street Light Utility
- Wheel Tax
- Special Assessments
- Impact Fees



# Public Fire Protection (PFP) Conversion

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- PFP: recovers the cost of providing water to fight fires
- If a currently listed as a Municipal Charge in PSC tariff, can convert all or part from Municipal Charge to Direct Charge, during a PSC Conventional Rate Case (CRC), or up to 5 years following the last CRC:
  - ✓ Municipal Charge: funded by Levy, General Fund (GF) Expenditure
  - ✓ Direct Charge: collected by charge to customers' water bills

<b>Count by Charge Type</b>		
Combination Direct and Municipal Charge	112	19%
Municipal Charge	197	34%
Direct Charge	267	46%
Not Applicable	8	1%

# Public Fire Protection (PFP) Conversion

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- No negative adjustment required in LL Worksheet with conversion to Direct Charge:
  - ✓ Eliminates (or reduces) GF Expenditure, creating levy capacity in GF budget, without significant impact to Water Revenue
- Opportunity to ensure equitable charge
- Town/Sanitary Districts can levy the municipal charge through the Sanitary District & not the Town

# Naming Rights, Sponsorships & Advertising

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Not likely to be “cash cows” unless a high-profile community or facility

Used for newsletters, website, brochures, athletic fields, parks, playgrounds, special facilities (ex. gazebos, theaters, etc.)

Private sector firms can help with “selling” ads

Revenues 60%/40% split

Revenues based on views or “hits”

Community group, family and neighborhood identity concerns

# Urban Forestry Special Charge

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- City of Madison – since 2015 & others
- Covers cost for:
  - ✓ Street tree planting (new & replacement)
  - ✓ Street tree trimming
  - ✓ Emerald Ash Borer
  - ✓ Staff time
  - ✓ Equipment
- Captures tax-exempt properties, shifts some cost from residential
- No Levy Limit implications – not a covered service, no negative adjustment

# Urban Forestry Special Charge, cont...

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- Based on total linear frontage by land use category:
  - ✓ Residential (single & two-family)
  - ✓ Multi-Family (>3 units)
  - ✓ Commercial/Industrial
  - ✓ Governmental (City, State, Federal, School)
  - ✓ Undeveloped/Stormwater Only
  - ✓ Private medians/cul-de-sacs
- Percentage of each category's total linear frontage is its categories share of the total budget
- Each the total percentage per category is divided by each category's number of parcels to determine per parcel fee

# Urban Forestry Special Charge, cont...

## Example:

Urban Forestry Budget	\$ 1,000,000					
	Residential	Multi-Family	Commercial/ Industrial	Government	Undeveloped	Private
Frontage	100,000,000	25,000,000	75,000,000	250,000	500,000	25,000
% of Total	49.8%	12.5%	37.4%	0.1%	0.2%	0.0%
# of Parcels	150,000	25,000	10,000	150	200	100
<b>Per Parcel Charge</b>	<b>\$ 3.32</b>	<b>\$ 4.98</b>	<b>\$ 37.36</b>	<b>\$ 8.30</b>	<b>\$ 12.45</b>	<b>\$ 1.25</b>

- Make sure charge covers direct & indirect costs
  - ✓ Salaries
  - ✓ Benefits
  - ✓ Equipment
  - ✓ Administration/Overhead = 10%

# Street Light Utility

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- Relatively new to Wisconsin - 2005 Rice Lake
- Only aware of a few in the State
- Based on:
  - ✓ Flat per unit - Residential = 1 Unit / Non-Residential = 2 Units
  - ✓ Flat residential and Non-Residential based on linear front footage
- Captures tax-exempt properties, shifts cost from residential
- No Levy Limit implications - not a covered service
- Make sure fee covers direct & indirect costs

# Wheel Tax (Vehicle Registration Fee)

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- Annual municipal or county vehicle registration fee in addition to State registration fee
- Applies to:
  - ✓ Autocycle registration
  - ✓ Automobile registration
  - ✓ Truck registration (<8,000 lbs. except dual purpose farm)
- Exemptions for antique, collector, historic, military, hobbyist, farm truck, dual purpose farm truck or motor home
- All revenue must be used for transportation related purposes
- WisDOT collects the fee & sends proceeds (less 17¢ per vehicle administrative fee)



# Wheel Tax Process

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City passes a resolution enacting the wheel tax. That resolution is submitted to WisDOT along with an application provided by the WisDOT.

There is a 90-day lag between when the formal application is made to WisDOT and when revenues will be collected. So, if Council action is part of the budget process a full year of revenue won't be received.

Funds are distributed monthly, into an account designated on the application.

The tax continues in perpetuity unless another resolution ends it.

# Wheel Tax Pros & Cons

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## Pros

- Authorized by statute
- Easy to set up & administer
- Stable annual revenue
- Established by Common Council/Village Board/Town Board



## Cons

- Limited revenue potential
- Disproportionate impact on residential properties
- Generates sense of fixing the problem – but often inadequate

# Special Assessments

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- Statute 66.0703 allows municipalities to levy special assessments upon benefitting property owners
- Commonly used for street, alley, water & sewer projects
- Engineer's Report stating costs, benefitting property (assessment roll), method for levying special assessment and assessment per property
- Consider special assessment policy if one is not in place to maintain continuity between projects & assessment practices

# Impact Fees

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- Statute 66.0617, one-time fee imposed on new development designed to recover the proportionate share of new, improved or expanded capital costs needed to serve new growth
  - ✓ Water, Sewer, Storm Facilities
  - ✓ Parks, Playgrounds, Land for Athletic Fields
  - ✓ Highways & Transportation Facilities
  - ✓ Traffic Control Devices
  - ✓ Solid Waste & Recycling Facilities
  - ✓ Fire Protection Facilities
  - ✓ Law Enforcement Facilities
  - ✓ EMS Facilities
  - ✓ Libraries

# Impact Fees, cont...

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## Cannot use for anything not specifically listed in the Statute

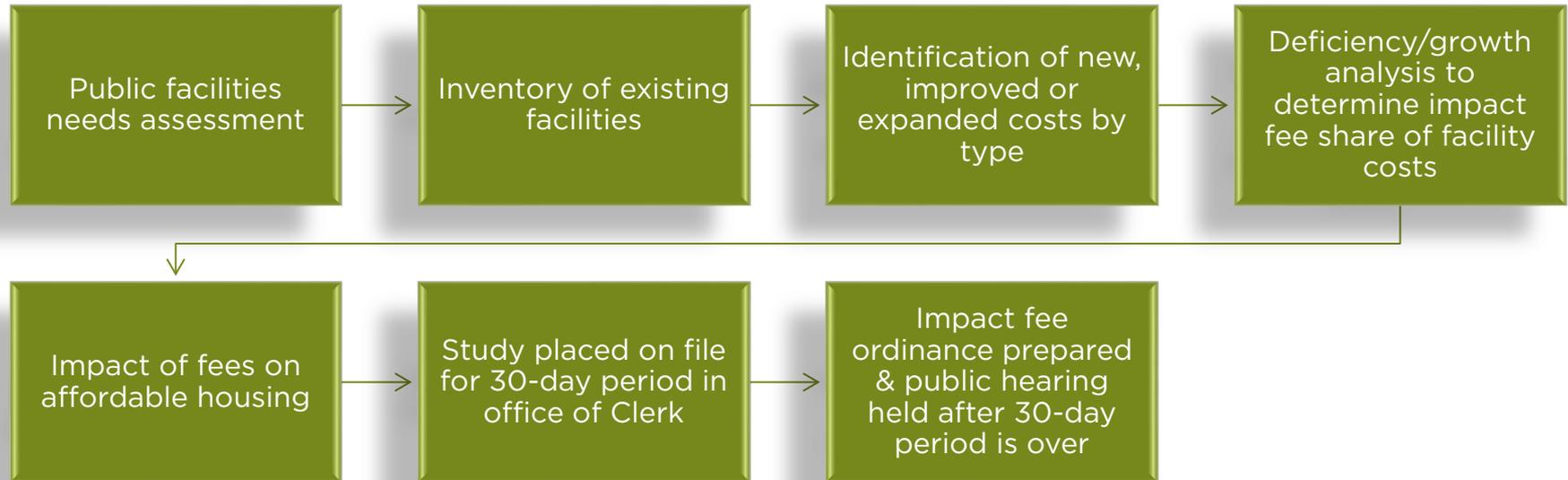
- City, Village or Town halls
- Facilities owned by a school district
- Vehicles (Fire truck)

## Timeline for spending impact fees:

- 2017 Act 243 modified timeline for spending and refunding impact fees
- 8-Years from time of collection for all facilities except sewer
- 10-Years from time of collection for sanitary sewer facilities and lift stations
- Can be extended by 3-years due to hardship (need resolution specifying situation)

# Impact Fees Process

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# Impact Fees: Practical Considerations

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- Consider time between fee implementation & when facility will be constructed. Don't want to lose out on revenue, BUT do need to make sure that project will happen
- Update the study as conditions change
  - ✓ Comprehensive Plan Update
  - ✓ Project is completed & actual costs are known
  - ✓ Project scope changes
- Water impact fees & PSC
  - ✓ PSC staff will use impact fee study as grounds to determine utility based vs. contributed asset addition
  - ✓ Allow for extra time in rate case if you have water impact fees
- There is a difference between connection fees & impact fees!



# COVERED SERVICES

# Covered Services & Negative Adjustment

- Levy Limit is reduced by the amount of fee revenue resulting from implementation of user fee
  - ✓ Negative adjustment: est. amount of fee revenue resulting from implementation of user fee
- Negative adjustment applies if “covered service” was funded in whole or part by 2013 tax levy for 2014 budget & user fee implemented or increased on or after 7/2/13
- Implement if anticipated new or increased user fee exceeds levy support that funded service in 2014 budget



# Covered Service Negative Adjustment, cont...

## Example: Full Conversion to User Fee

	2014 Budget	CY Budget	Fee Increase
<b>Revenues</b>			<b>Neg. Adjustment</b>
Tax Levy	\$ 100,000	\$ 0	
User Charges	<u>\$ 0</u>	<u>\$ 125,000</u>	<b>- \$ 100,000</b>
Total	\$ 100,000	\$ 125,000	
<b>Expenditures</b>			
Garbage Collection	<u>\$ 100,000</u>	<u>\$ 125,000</u>	
Total	\$ 100,000	\$ 125,000	

# Covered Service Negative Adjustment, cont...

## Example: Fee Increase

	2014 Budget	CY Budget	Fee Increase
<b>Revenues</b>			<b>Neg. Adjustment</b>
Tax Levy	\$ 100,000	\$ 50,000	
User Charges	\$ <u>0</u>	\$ <u>75,000</u>	<b>- \$ 75,000</b>
Total	\$ 100,000	\$ 125,000	
<b>Expenditures</b>			
Garbage Collection	\$ <u>100,000</u>	\$ <u>125,000</u>	
Total	\$ 100,000	\$ 125,000	

# Stormwater

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- New to some, only 122 statewide
- Typically based on impervious surfaces with a typical single family home's impervious surface consider the “standard” unit or ERU
- Non-residential impervious surfaces are divided by the ERU to determine their # of units
- Captures tax-exempt properties, shifts cost from residential
- 2019 fees range from \$11/ERU (Town of Lawrence) to \$175/ERU (Appleton)
- Average Fee \$63.42/ERU

# Stormwater, cont...

- Negative Levy Limit implication concerns – a covered service, but limited to 2013 levy support, for 2014 budget
- Example:

	2014 Budget	2026 Budget	Levy Limit Adjustment
<b><u>Revenues</u></b>			
Tax Levy	\$ 100,000	\$ -	
Stormwater Utility Fee	\$ -	\$ 125,000	(\$100,000)
Total	\$ 100,000	\$ 125,000	
<b><u>Expenditures</u></b>			
Stormwater	\$ 100,000	\$ 125,000	
Total	\$ 100,000	\$ 125,000	

# Stormwater, cont...

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- Once Levy Limit is removed, free to increase fee without further reductions
- Review stormwater needs to determine if greatly exceeding 2013 levy support
- Review stormwater fee to insure it's capturing ALL eligible expenses:
  - ✓ Eligible services ex. leaf collection
  - ✓ Direct AND indirect costs
    - Equipment rental
    - Employee benefits
    - Overhead, administration
    - Conduct cost of service study

# Garbage Collection, Snow Plowing & Street Sweeping

- Opportunity to free up levy capacity by converting one of these covered services to a user fee
- Example:

Covered Service	2014 Budget Expenses	Fees	2026 Budget Revenue	LL Adjustment	Net Gain
Garbage	\$ 55,000.00	Yes	\$ 70,000.00	(\$55,000)	\$ 15,000
Snow Plowing	\$ 20,000.00	Yes	\$ 40,000.00	(\$20,000)	\$ 20,000
Street Sweeping	\$ 15,000.00	No	\$ 40,000.00	N/A	N/A

# Fire Protection Fees

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- Cost for fire department operations
  - ✓ Does not include the production, storage, transmission, sale & delivery or furnishing of water for public fire protection purposes (*see PFP Conversion*)
- Opportunity to charge property owners a fee to fund the cost to provide fire protection to their property, rather than include the Fire Protection service within the Levy
  - ✓ Allows fire protection to be paid for by not just taxpayers, but also by tax-exempt properties
  - ✓ Allows levy capacity to be freed up if net gain after negative adjustment from 2014 budget is considered

# Fire Protection Fees, cont...

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## Towns: Wis. Stat. 60.55

- Town of Hoard court decision / Op. Atty. Gen. 1/2/15
  - Fees may be imposed for general availability of fire protection service
  - Fire protection fees may be imposed on properties that are otherwise tax-exempt
  - Requires written fee schedule

## Cities' & Villages' current challenges:

- Ensure the charge is not based on assessed value = tax
- Ongoing litigation for two communities may set future precedent

# Fire Protection Fees, cont...

- Village example with 3 defined customer categories:
  1. Vacant land, no assessed value:
    - No fire fee
  2. Vacant land, with assessed value:
    - Flat fire fee
  3. Land with improvements, regardless of tax status:
    - Fire fee calculated by multiplying the per square foot rate, by total square footage of improvements

Levy Year	2026
Budget Year	2027
Village Share of Operating Budget	1,200,000
Village Share of Capital Budget	35,000
Other Village Costs for Fire Services	5,000
Outstanding Village Debt Service	75,000
<b>Total Village Cost</b>	<b>1,315,000</b>
Number of Properties in Category 2	300
Current Flat Fee for Vacant Land	50
<b>Total Vacant Land Fees</b>	<b>15,000</b>
<b>Total Remaining Funds Needed</b>	<b>1,300,000</b>
Total Improvements Square Footage	7,000,000
<b>Fire Services Cost per Square Foot</b>	0.1857
<b>Sample Home:</b>	
Square Feet of Improvements	1,500
Fire Service Fee	\$ 279

# Download the Presentation

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# Your Presenters

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