VILLAGE OF MOUNT HOREB
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**FINANCE AND PERSONNEL COMMITTEE AGENDA**
**Wednesday, June 7, 2023 at 5:30 PM**

Municipal Building Board Room
138 E. Main Street
Mount Horeb, WI

1) Call to order
2) Agenda Items
   a. Consideration of May 03, 2023 Meeting Minutes
   b. Personnel Report
   c. Finance Director/Treasurer Update
   d. Consider recommendation for Resolution 2023-03 "BUDGET AMENDMENT"
   e. Consider 2024 Budget Calendar Timeline
   f. Consider ARPA Funding
   g. Discuss Payment in Lieu of Taxes (PILOT)
3) Future Agenda Items
   a. Discussion/Consideration: Change of Date for July Finance/Personnel Meeting
4) Closed Session
   a. Discuss Village Administrator's Mid-Year Performance Check-In. The Finance & Personnel Committee may enter into a closed session as authorized by Section 19.85(1)(c) of Wisconsin Statutes to consider employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility.
5) Meeting Adjournment
   a. Meeting Adjournment will take place at the conclusion of the closed session. No additional comments will be made in open session.

UPON REASONABLE NOTICE, EFFORTS WILL BE MADE TO ACCOMMODATE THE NEEDS OF DISABLED INDIVIDUALS THROUGH APPROPRIATE AIDS AND SERVICES. FOR INFORMATION OR TO REQUEST THIS SERVICE, CONTACT ALYSSA GAFFNEY, CLERK, AT 138 E MAIN STREET, MOUNT HOREB, WI (608) 437-9404.

**VILLAGE OF MOUNT HOREB**
**FINANCE/PERSONNEL COMMITTEE MINUTES**
**WEDNESDAY, MAY 3, 2023**

The Finance/Personnel Committee met in regular session in-person on the date stated above.

**Call to Order/Roll Call:** Chair Scott called the meeting to order at 5:30pm. Present were Committee members Halverson, Hoffman, Jones, and Fendrick. Also present were Administrator Owen, Finance Director/Treasurer Stuessy, and Village Clerk Gaffney. Scott introduced new member Halverson.

**Consider April 5, 2023 minutes:** Hoffman moved, Fendrick seconded to approve the minutes. All aye, except for Halverson who abstained, as he was not a committee member yet for that meeting. Motion carried by voice vote.

**Personnel Report:** Murleau presented her Personnel update.

**Finance Director/Treasurer Update:** Stuessy presented her update.

**Review 2022 year-end financials:** Stuessy discussed the year-end financials and fielded questions from the committee.

**Review 2022 spending by Vendor report:** Scott explained this item and fielded questions from the committee.

**Friends of the Norsk, Inc. Financial Statements:** Scott explained this item. The committee reviewed the financials that were included in the meeting packet.

**Future agenda items:** Training on the PILOT program, Administrator's progress review, and the budget calendar.

**Adjourn:** With no further business before the committee, Fendrick moved, Jones seconded to adjourn the meeting at 6:17pm. Motion carried by unanimous voice vote.

Minutes by Alyssa Gaffney, Village Clerk

**Personnel Report:**

**New Hires Regular Full Time Staff:**

PD- Sergeant – Jerron Wetter – Start 06.07.2023

**New Hires Part Time Staff:**

Library – Shelver- Ava Murphy Start 05.31.2023

Library- Shelver- Lauren Johnson Start 06.14.2023

**Seasonal Hires:**

**Recreation Department:**

- Concessions /Admissions = 6
- Lifeguards = 7
- Kids Camp = 2
- Office Assistant= 1

**Resignations in May:**

Public Services – Crew Person – Dylan Bongard – 06.02.2023

**Retirements:**

Public Works – Mechanic – Greg Burreson - Effective 09.01.2023

**Recruitments:**

Police Department Officer (Academy candidate) – Pending

Public Works - Mechanic (Replacement for Burreson) – Position Posted – Reviewing Applications

Crewperson (Replacement for Bongard) – Position Posted – Reviewing Applications

**In Progress with Various Department Heads**

**PD – Chief Vierck –** Doug and I have been working on the getting through the steps of hiring the Sergeant. Actual start day will be June 7, 2023 – Swearing in at 10:30 am.

**Library - Jessica Gretzinger -** Working with Jessica on review of compensation ranges. Completed a compensation analysis and compiled information for Jessica to review with Nic and Library Board

**Recreation** -**Jill Dudley and Megan James** – Hiring and Orientations have taken place for Rec Department. We are ok with lifeguards and pool is ready to open.

**Village Office –** Working with all employees in the office to review the payroll processes and systems. Completed Caselle Training with Denise and Joan. Major training takeaway was how to use the report writer function so that I can get data out of the system.

Worked with Denise to ensure new recreation department employees are set up in Caselle and that returning employees have all necessary documents completed.

VILLAGE OF
MOUNT HOREB

# AGENDA ITEM REPORT

| MEETING DATE | PREPARED BY |
| --- | --- |
| June 7, 2023 | Joan Stuessy, Finance Director / Treasurer |

## AGENDA ITEM # 2.c

Finance Director/Treasurer Update

## BACKGROUND

**Lead Line Replacement Update**-261 residents replaced. 100% Complete. Final DNR submittal by end of June

**$2.250 million General Obligation Promissary Notes** -street projects- 3.9%, funds will be received 06.15.2023

**2022 Year End Review** -Baker Tilly review at 06.07.2023 Village Board Meeting

**Electric Rate Case Update**– PSC (first rate case since 2009)

Revenue Requirements: Overall, PSC is allowing a $573,574 increase or 8.16% (more than we requested).

Public hearing was scheduled for May 30th, no public comments, anticipated rates to be effective July 1st.

**Water Utility-**Simplified Rate Case and potential borrowing for water main replacements

## RECOMMENDATION

## ATTACHMENTS

None

**VILLAGE OF MOUNT HOREB**
**RESOLUTION 2023-03**

**BUDGET AMENDMENT**

BE IT RESOLVED that the Village Board of the Village of Mount Horeb authorizes an amendment to the 2023 Village Budget to transfer funds as follows:

| Account Number | Account Name | Increase | Decrease |
|---|---|---|---|

**CAPITAL PROJECTS FUND-EXPENSE**

| | | | |
|---|---|---|---|
| 400-551400-820 | Community Center Improvements | $20,000 | |

*The increase is due to carryover of funds from 2022 related to the Recreation department porch remodel; originally was budgeted in 2021 and work is occurring in 2023.*

**SOUTHWEST DANE OUTREACH-REVENUE**

| | | | |
|---|---|---|---|
| 230-473600-000 | County Grants – Outreach Program | $10,165 | |
| 230-473610-000 | County Grants – Nutrition Program | $2,995 | |
| 230-473618-000 | County Grants – Catered Meals | $2,059 | |

*The increase is due to Dane County increasing funding after the original budget was approved.*

**SOUTHWEST DANE OUTREACH-EXPENSE**

| | | | |
|---|---|---|---|
| 230-546200-210 | Contractual – Catered Meals | $3,170 | |

*The increase is due to Dane County increasing catered meals funding after the original budget was approved.*

**LIBRARY-EXPENSE**

| | | | |
|---|---|---|---|
| 240-551100-XXX | Operating Expenditures | $29,812 | |

*The increase is due to incorrect budget used for initial approval, and was not realized until after the original budget was approved.*

**LIBRARY-REVENUE**

| | | | |
|---|---|---|---|
| 240-437XXX, 467XXX, 469XXX | Library Aid and misc. | $3,170 | |

*The increase is due to an increase in library aid after the original budget was approved.*

**TID #3-REVENUE**

| | | | |
|---|---|---|---|
| 450-411200-000 | Property Taxes-TID Increment | $9,067 | |

*The increase is due to actual TID#3 increment being higher than budgeted.*

**GENERAL FUND TID #4 CLOSE OUT**

100-411100-000 Property Taxes – Final closeout $10,634

*The increase is due to one time additional TID#4 increment due to close out*

**TID #5-REVENUE**

460-411200-000 Property Taxes-TID Increment $65,540

*The increase is due to actual TID#5 increment being higher than budgeted.*

Introduced and passed this 7th day of June, 2023.

__________________________________

Ryan Czyzewski, Village President

ATTEST:

__________________________________

Alyssa Gaffney, Village Clerk

HERITAGE
COMMUNITY
OPPORTUNITY

mount horeb UTILITIES

## Village of Mount Horeb 2024 Budget Calendar

No later than July 2023: Department heads meet with their respective committees to discuss and recommend capital purchase requests for the 2024-2028 budget years.

July 31, 2023: Department requests for Capital Improvement purchases for years 2024-2028 due to the Village Administrator.

August 11, 2023: Village Administrator provides preliminary 2024 operating budget to department heads for review.

August 21-25, 2023: Department heads meet with Village Administrator and Treasurer to discuss 2024 operating and capital budgets.

Finance & Personnel Meetings – Proposed; FP Committee to approve 6/7/2023:

- September 27, 2023: 5:00 p.m. Finance and Personnel Committee meets to discuss 2024 budget and 2024 – 2028 Capital Improvement Plan (data for review to be distributed by September 18, 2023)
- October 4, 2023: 4:00 p.m. Finance and Personnel Committee meeting, with department heads in attendance, to present 2024 budget requests
- October 11, 2023: 5:00 p.m. Finance and Personnel Committee meeting to continue budget work (if necessary)
- October 18, 2023: 5:00 p.m. Finance and Personnel Committee meeting to continue budget work (if necessary)

November 1, 2023: Village Administrator presents 2024 budget and 2024-2028 Capital Improvement Plan to Village Board. Village Board sets a public hearing for November 15, 2023.

November 15, 2023: Village Board holds public hearing on 2024 budget and 2024-2028 Capital Improvement Plan followed by budget adoption.

**Village of Mount Horeb**
**ARPA Spending**
**Award = $788,572.89**

| What | Who Benefits | Committee (or Dept Head) Overseeing | Why (Top 1-3 reasons) | When | Total Cost | $ Committed | $ ARPA Request | Recommended funding | Plan if ARPA funds not received |
|---|---|---|---|---|---|---|---|---|---|
| New Village Website (with online form capability) & Agenda Management platform | Employees, residents and business owners using the website | Finance & Personnel (or Nic) | Enhance communication, increase efficiency | 2022 | $ 30,000 | $ 30,000 | $ 30,000 | $ 30,000 | General Fund reserves would be used |
| Replacement of lead service lines | All residents | Utility Commission | Safety, cost savings | 2022 | $ 1,420,000 | $ 1,420,000 | $ 600,000 | $ 600,000 | Issue additional debt / use more reserves |
| Rec Dept/Senior Center, Park Shelters, and Aquatic | Employees, volunteers | Parks, Recreation and Forestry | Security, tracking entry/usage | 2023 | $ 16,000 | $ - | $ 16,000 | $ 16,000 | Capital Budget Request |
| Mountain Bikes for PD Patrol | Residents, tourists at events | Public Safety | Crowd control, silent night patrols | 2023 | $ 8,000 | $ - | $ 8,000 | $ 8,000 | Capital Budget Request |
| Updated Dictation Equipment | Employees | Public Safety | More efficient for admin staff | 2023 | $ 2,200 | | $ 2,200 | $ 2,200 | Capital Budget Request |
| Ionization Air Purification System | Library Patrons and employees | Library Board | Cleaner air for library users and staff | 2022 | $ 11,554 | $ 11,554 | $ 11,554 | | Already paid from Library Reserves |
| Reimburse Covid Expenses | Library Patrons and employees | Library Board | Sanitation and safety | 2019-20 | $ 4,243 | $ 4,243 | $ 4,243 | | Already paid from Library Budget |
| Outdoor Pavilion | Library Patrons | Library Board | Outodoor programing area | 2023 | $ 40,000 | | $ 40,000 | | Capital Budget Request |
| HR Tracking Software | Employees | Finance & Personnel (or Nic) | Ease burden on hiring, reduce risk of incidents, | 2022 | | | | | |
| Senior Center Chairs | Seniors, community room users | Lynn/Outreach Board | Chairs are worn and unstable | 2022 | $ 5,000 | | $ 5,000 | $ 5,000 | Capital Budget Request |
| Substation Improvements | Utility Customers | Utility Commission | Improve Electric system, increase reliablity | 2023 | $ 300,000 | $ 300,000 | $ 150,000 | | Utility Budget/Debt |
| Electric Transformers | New utility Customers | Utility Commission | Have new transformers ready for new developmetn | 2023 | $ 60,000 | $ 60,000 | $ 30,000 | | Utility Budget |
| New Electric Meters | New utility Customers | Utility Commission | Have new meters ready for new customers | 2023 | $ 36,000 | $ 36,000 | $ 10,000 | | Utility Budget |
| Wifi hot spots for parks | Park Users | Parks, Recreation and Forestry | Expand wifi availablity | 2022 | $ 10,000 | | $ 10,000 | | Capital Budget or skip |
| Online Application Software | Village Staff | Finance & Personnel (or Nic) | Improved efficiency and effecitveness of hiring process | 2023 | $ 6,000 | | $ 6,000 | $ 6,000 | Capital Budget or skip |
| Barriers for Front Counter | Village Staff and residents | Finance & Personnel (or Nic) | Permanent barries to increase safety | 2023 | $ 10,000 | | $ 10,000 | $ 10,000 | Capital Budget or skip |
| Resurfaace Viking Park Tennis Courts | Park Users | Parks, Recreation and Forestry | Safety concerns with worn surface/cover school costs | 2023 | $ 200,000 | | $ 100,000 | $ 100,000 | Capital/cost share with school |
| Cable tv/boardroom upgrade | Residents | Nic/Village Board | improve quality of recordings/broadcasts | 2022/20 | $ 117,000 | $ 117,000 | $ 25,000 | $ 25,000 | Cable tv funds |
| | | | | | | | | | |
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| | | | | | | | | | |
| **Grand Total of Requests** | | | | | | | **$ 1,057,997** | **$ 802,200** | |

**Notes:**
Consider other funding sources that may be available

VILLAGE OF
MOUNT HOREB

# AGENDA ITEM REPORT

| MEETING DATE | PREPARED BY |
| --- | --- |
| June 7, 2023 | |

## AGENDA ITEM # 2.g

Discuss Payment in Lieu of Taxes (PILOT)

## BACKGROUND

**Village of Mount Horeb has the following Payment in Lieu of Taxes (PILOT):**

1. **Utilities -Water and Electric**
2. **Wisconsin Illinois Senior Housing Inc. (WISH) aka Ingleside**
3. **Dane County Housing Authority**
4. **Department of Natural Resources**

See attached documentation regarding the Village of Mount Horeb PILOT agreements. Booksmarks are associated with each agreement (attachments).

## RECOMMENDATION

## ATTACHMENTS

None

## Village of Mount Horeb has the following Payment in Lieu of Taxes (PILOT):

1. **Utilities -Water and Electric**
2. **Wisconsin Illinois Senior Housing Inc. (WISH) aka Ingleside**
3. **Dane County Housing Authority**
4. **Department of Natural Resources**

**Background:**

**What are "PILOTs"?** Payments in lieu of taxes are usually negotiated between a municipality and individual nonprofits. PILOTs can be ad hoc payments by one or more nonprofits, or they can be standard payments from a wide range of nonprofits when a local government has a systematic PILOT program that provides guidance regarding expected contributions. PILOTs can be one-time payments, but negotiations sometimes lead to contracts stipulating continued payments for many years.

PILOTs are often framed in two ways. First, they are considered a means to partially offset property tax revenue forgone because the nonprofit's property is tax-exempt. Second, they are thought of as contributions to cover the nonprofit's share of the cost of public services provided by municipalities that are normally funded with property taxes (e.g., fire services, road maintenance, or snow removal). Regardless of the stated rationale, both of these arrangements are PILOTs according to the definition used in this report. The basis for deciding upon an appropriate PILOT amount varies across municipalities. Some ask tax-exempt institutions to pay a specific proportion of the property taxes the institution would owe if taxable. Others base the PILOT on some measure of the size of the nonprofit's property, such as square footage, or the size of its economic activity, such as number of employees or dormitory beds. The cost of basic services provided to nonprofit institutions is also used as a guide, but in many cases PILOTs are completely ad hoc and negotiated without any apparent basis. In all cases, a primary characteristic of a PILOT is that it is voluntary; that is, there is no law requiring a nonprofit to make a PILOT.

While they share in a full range of city services, tax exempt properties do not contribute to the operation of city government to the same extent that non-exempt properties do.

Wisconsin law defines properties eligible for tax exemption. Owners of properties that meet the legal criteria for exemption are not required to pay local property taxes.

Some exempt property owners, however, choose to make a "payment in lieu of taxes", or PILOT. While they are not obligated to pay property taxes, they acknowledge the local government services they receive and agree to a voluntary payment.

PILOTs reflect an exempt owner's sense of community. Those who make PILOTs recognize they benefit from the police and fire departments; they use city infrastructure; and they know city government requires resources to promote development and keep residents healthy.

## Discussion of specifics to Village of Mount Horeb:

## Utilities -Water and Electric

The calculation is determined by state statute. The governing body can approve a lower amount for the transfer, if it likes, but the total cannot exceed the calculation. It is based on the beginning plant balances and the Village mill rates and assessment ratio.

While municipal water and electric utilities are expressly authorized to make annual PILOTs into the municipality's general fund, no similar authority exists allowing communities to add a tax equivalency charge to sewer service fees. Wisconsin Stat. § 66.0811(2) provides that the income of municipal water and electric utilities may be used to make local and school tax equivalents. A Public Service Commission (PSC) administrative rule provides further guidance. Wisconsin Admin. Code § PSC 109.02 states that the maximum tax equivalent for a municipal water or electric utility shall be determined by applying the local and school tax rates to the gross book value of the plant plus materials and supplies multiplied by the assessment ratio for the municipality.

### 2022 calculations:  Account 100-413100-000

Water: $204,270

Electric: $187,428

Total: $391,698

See attached agreement – PSC Staff Report 2013

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### 2022 calculations:  Account 100-413200-000

**Wisconsin Illinois Senior Housing Inc. (WISH) aka Ingleside - $33,665.70**

See attached agreement – in process of renewing for 2023

**Dane County Housing Authority -$6,123**

See attached agreement

**Department of Natural Resources- $268.65**

See attached agreement

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**Other Misc Background-**

Resolution 2012-30 -Preservation of Municipal Utility PILOTS  (Attached)

# PUBLIC SERVICE COMMISSION OF WISCONSIN

INVESTIGATION INTO MUNICPAL UTILITY PAYMENT IN LIEU OF TAXES (PILOT)

Staff Report

Docket 5-GF-215

January 30, 2013

Denise Schmidt, Program and Policy Analyst

Jeffrey Ripp, Assistant Administrator

Division of Water, Compliance, and Consumer Affairs

## Introduction

Municipally owned water and electric utilities in Wisconsin are subject to a payment in lieu of local general property taxes, or PILOT. In contrast, investor-owned utilities pay a gross receipts tax. For rate-making purposes, the Commission makes an allowance for PILOT as a component of a utility's total revenue requirements. Over time, the PILOT payments have become a substantial portion of the revenue requirements for municipal water utilities.

Commission staff and others have raised concerns about the PILOT payment's impact on utility costs and rates, primarily with respect to municipal water utilities. On January 25, 2012, the Commission opened an investigation on the PILOT calculation for municipal utilities and directed staff to investigate the following issues:

1. The statutory authority for municipalities to collect a PILOT from municipal utilities;
2. The Commission's procedures for calculating the PILOT amount;
3. Whether municipalities distribute PILOT revenues to other local taxing jurisdictions, including school districts;
4. The amount that municipal water and electric utilities paid in lieu of taxes in calendar years 2010 and 2011;
5. The percentage of municipal utility revenue requirements attributable to PILOT in 2010 and 2011;
6. An estimate of the amount that would have been paid as a gross receipts tax, had such a tax been in place, for municipal water and electric utilities in 2010 and 2011;
7. The number of utilities that paid less in PILOT to their municipality than the maximum authorized amount for 2010 and 2011;

8. The statutory exemption from PILOT for sewer utilities and town sanitary districts, and;
9. The capital intensity of municipal water and electric utilities in Wisconsin.

Commission staff conducted an analysis of these nine issues and prepared a draft report of findings dated September 28, 2012. On October 11, 2012, staff presented the draft report and received feedback from interveners and other interested parties in a meeting held at Commission offices. In addition, the Commission has received written comments on the report and its findings. A list of attendees from the October 11 meeting are provided in Appendix 1, and the public comments appear in Appendix 2.

**Issue 1: Statutory Authority for PILOT**

In estimating a municipally owned water utility's operating expenses for rate-making purposes, the Commission has made an allowance for local taxes since 1918. See *Re Edgerton*, 1918B PUR 724 (December 31, 1917). See also *Re City of Milwaukee*, 1927B PUR 229 (December 9, 1926). In 1937, the Legislature codified the Commission's practice by amending Wis. Stat. § 66.06(11)(c), to include local and school tax equivalents among the valid expenses of a municipally owned utility that is tax exempt:

> 'The income of a public utility owned by a municipality shall first be used to meet operation, maintenance, depreciation, interest, and sinking-fund requirements, *local and school tax equivalents*, additions and improvements, and other necessary disbursements or indebtedness …" (Emphasis added.)

**Issue 2: Commission Procedures for Calculating PILOT**

In 1955, the Commission established a rule for determining the tax equivalent for municipal utilities. *Re Tax Equivalent for Municipal Utilities*, Docket No. 2-U-4447 (July 11, 1955). In *Re Tax Equivalent*, the Commission adopted Wis. Admin. Code ch. PSC 125, providing in part:

> **ch. PSC 125.01. Electric and/or water utilities; computing tax equivalent.** An acceptable 'tax equivalent' for all municipal electric and/or water utilities may be determined by either of the following methods:
>
> (1) Apply the local and school tax rate to the gross book value of plant plus materials and supplies multiplied by the ratio of assessed value to full value as found by the Wisconsin Department of Taxation for the community involved; or
>
> (2) Apply the local and school tax rate to the net book value of plant plus materials and supplies.

The Commission adopted ch. PSC 125, and later ch. PSC 109, which superseded ch. PSC 125, to govern calculation of the tax equivalent. By 1985, however, property taxes for privately owned utilities were replaced with a gross receipts tax.

PSC regulations establish a formula for the maximum allowable PILOT charge in Wis. Admin. Code § PSC 109.02 which provides:

> § **PSC 109.02. Municipal utilities; computing tax equivalent.** The maximum "tax equivalent" for any municipal utility (except a sewer utility) shall be determined by applying the local and school tax rates for the calendar year to the gross book value for the calendar year of plant plus materials and supplies multiplied by the assessment ratio for the municipality involved.

These regulations also give authority to the Commission to establish a charge in excess of the maximum allowable:

> § **PSC 109.03. Municipal utilities; higher tax equivalent.** If a tax equivalent greater than that obtained by the method in s. PSC 109.02 is desired, the written approval of the commission must be obtained.

In 1994, the Commission opened a docket to consider changes to Wis. Admin. Code ch. PSC 109 "[i]n order to return the tax equivalent to its original purpose of achieving rough equivalence with privately-owned utilities." *Revisions of Chapter PSC 109, Tax Equivalent for Municipal Utilities*, Docket 1-AC-145, 1995 WL 867887 (Sept. 15, 1995). Because ch. PSC 109 remained unchanged since 1985 when property taxes for privately-owned utilities were replaced with the gross receipts tax, the tax equivalent under ch. PSC 109 substantially exceeded what would be calculated under the gross receipts tax. *Id*. "For some municipal utilities, the tax equivalent now comprises a substantial portion of the revenue requirement." *Id*.

In 1995, the Legislature established a minimum PILOT payment because utilities' tax equivalents were expected to decrease as a result of property tax relief provisions in 1995 Wis. Act 27. See COMPARATIVE SUMMARY OF BUDGET PROVISIONS ENACTED AS 1995 ACTS 27 AND 113, at 945 (WI Legislative Fiscal Bureau, 1995). Act 27 amended Wis. Stat. § 66.069(1)(c) (previously § 66.06(11)(c)), , adding that "[b]eginning with taxes levied in 1995, payable in 1996, payments for local and school tax equivalents shall at least be equal to the payment made on the property for taxes levied in 1994, payable in 1995, unless a lower payment is authorized by the governing body of the municipality." 1995 Wis. Act 27, § 3316m. Later, 1999 Wis. Act 150 renumbered Wis. Stat. § 66.069(1)(c) as § 66.0811(2).

All calculations of PILOT are based on the gross book value of total utility plant, which includes plant that is contributed by outside sources. The gross book value is calculated using the original cost of a utility's investment in plant.

**Issue 3: Municipalities' Distribution of PILOT Revenues to Other Local Taxing Jurisdictions**

The formula used to compute the maximum PILOT for municipal utilities is found in Wis. Admin. Code § PSC 109.02. This formula includes both a local and school tax component. The Commission expressed an interest in determining whether municipalities receiving PILOT revenues shared these revenues with the local school districts. Staff was unable to discover any instances of PILOT revenue sharing through conversations with interveners and other stakeholders. In general, staff found that revenues collected through PILOT remain within the municipalities and are not distributed to school districts or to the other taxing jurisdictions included in the PILOT calculation. However, a more detailed analysis could reveal one or two exceptions to this general practice.

**Issue 4: Amount of PILOT Paid**

Municipal water utilities made PILOT payments totaling $87.4 million in 2010 and $92.9 million in 2011. During the same time period, municipal electric utilities made PILOT payments totaling $18.4 million and $19.3 million, respectively. Table 1 provides detailed PILOT amounts by utility class.

**TABLE 1**
**Total PILOT Amount Paid**

| Utility Type | 2010 | | | 2011 | |
|---|---|---|---|---|---|
| **Water** | **Amount** | **No. of Utilities** | | **Amount** | **No. of Utilities** |
| Class AB | $62,916,059 | 96 | | $67,137,268 | 97 |
| Class C | 16,898,934 | 139 | | 17,765,683 | 138 |
| Class D | 7,549,271 | 274 | | 7,954,143 | 276 |
| **Total** | **$87,364,264** | **509** | | **$92,857,094** | **511** |
| | | | | | |
| **Electric** | **Amount** | **No. of Utilities** | | **Amount** | **No. of Utilities** |
| Class AB | $13,831,927 | 32 | | $14,549,677 | 32 |
| Class C | 4,531,082 | 49 | | 4,700,368 | 49 |
| Class D | 11,025 | 1 | | 11,025 | 1 |
| **Total** | **$18,374,034** | **82** | | **$19,261,070** | **82** |

**Issue 5: Percentage of Total Revenue Requirements the PILOT Payment Represents**

Table 2 displays the authorized PILOT as a percentage of the revenue requirement for municipal utilities, by class. Water utilities' PILOT payments amounted to, on average, 14.9 percent of the total revenue requirement in 2010 and 14.8 percent in 2011. Ironton Water Utility in Sauk County paid the largest PILOT, by percentage, at approximately 66 percent of its total revenue requirement in both 2010 and 2011. At the other end of the range were those water utilities authorized by their municipalities to pay no PILOT, with 57 water utilities so authorized in 2010 and 62 in 2011, as shown in Table 3.

In contrast, municipal electric utilities' PILOT payments averaged 2.6 percent of their total revenue requirement in both 2010 and 2011. The maximum percentage paid was 7.0 percent in 2010 and 6.3 percent in 2011, with one municipal electric utility authorized to pay no PILOT in both years.

Detailed summaries of PILOT payments for each municipal water and electric utility in 2010 and 2011 are included as Appendices 3 and 4 (water) and 5 and 6 (electric).

**TABLE 2**

**PILOT as Percentage of Total Revenue Requirement**
(All Numbers in %)

| **Utility Type** | **2010** | | | | | **2011** | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Water** | **Avg.** | **Min.** | **Max.** | **Median** | | **Avg.** | **Min.** | **Max.** | **Median** |
| Class AB | 14.5 | 0.0 | 27.9 | 15.2 | | 14.3 | 0.0 | 27.9 | 15.0 |
| Class C | 16.2 | 0.0 | 33.1 | 16.9 | | 16.7 | 0.0 | 43.5 | 17.2 |
| Class D | 15.2 | 0.0 | 65.6 | 16.4 | | 16.0 | 0.0 | 66.2 | 16.5 |
| **All Utilities** | **14.9** | **0.0** | **65.6** | **16.2** | | **14.8** | **0.0** | **66.2** | **16.3** |
| | | | | | | | | | |
| **Electric** | **Avg.** | **Min.** | **Max.** | **Median** | | **Avg.** | **Min.** | **Max.** | **Median** |
| Class AB | 2.5 | 1.2 | 5.2 | 2.5 | | 2.6 | 1.3 | 4.9 | 2.7 |
| Class C | 2.7 | 0.0 | 7.0 | 2.5 | | 2.7 | 0.0 | 6.3 | 2.6 |
| Class D | 3.0 | 3.0 | 3.0 | 3.0 | | 3.0 | 3.0 | 3.0 | 3.0 |
| **All Utilities** | **2.6** | **0.0** | **7.0** | **2.5** | | **2.6** | **0.0** | **6.3** | **2.6** |

**TABLE 3**
**Number of Utilities Authorized to Pay $0 in PILOT**

| **Utility Type** | **2010** | **2011** |
|---|---|---|
| **Water** | | |
| Class AB | 1 | 1 |
| Class C | 3 | 3 |
| Class D | 54 | 59 |
| **All Utilities** | **57** | **62** |
| | | |
| **Electric** | | |
| Class AB | 0 | 0 |
| Class C | 1 | 1 |
| Class D | 0 | 0 |
| **All Utilities** | **1** | **1** |

**Issue 6: Gross Receipts Tax Calculation**

If municipally owned water and electric utilities were assessed taxes in the same manner as privately-owned utilities, they would pay a 3.19 percent gross receipts tax, as outlined in Wis. Stat. § 76.28(2)(c)2. The gross receipts tax is collected by the State, while PILOT is collected and retained locally. Table 4 examines what the gross receipts tax would have been in 2010 and 2011 for municipal utilities. To be consistent with the tax calculation method applied to privately-owned utilities, the revenues used to calculate the gross receipts tax exclude interdepartmental sales, interdepartmental rents, and deductions from sales and use taxes.

**TABLE 4**
**Equivalent Gross Receipts Tax**
(3.19% of Revenues)

| Utility Type | 2010 | 2011 |
|---|---|---|
| **Water** | | |
| Class AB | $13,048,574 | $14,150,361 |
| Class C | 3,301,426 | 3,383,024 |
| Class D | 1,573,737 | 1,585,895 |
| **Total** | **$17,923,738** | **$19,119,280** |
| **Electric** | | |
| Class AB | $17,334,681 | $17,952,251 |
| Class C | 5,291,255 | 5,593,502 |
| Class D | 11,881 | 11,841 |
| **Total** | **$22,637,817** | **$23,557,594** |

Had the gross receipts tax been in place, water utilities would have paid $17.9 million in 2010 and $19.1 million in 2011. In other words, municipal water ratepayers would have paid between $69.4 million and $73.7 million less had the municipal water utilities paid taxes in the same manner as privately-owned utilities. In contrast, municipal electric customers would have paid approximately $4.3 million more in both 2010 and 2011 had a gross receipts tax been in place.

**Issue 7: Number of Municipal Utilities with PILOT Payments Lower Than the Maximum Authorized Amount**

Wisconsin Stat. § 66.0811(2) provides a statutory formula for determining the minimum allowable amount of the PILOT. This statute does not explicitly identify who has the authority to set the minimum PILOT and does not contain any reference to the Commission's authority to review or adjust this amount. It does, however give explicit authority to the governing body of the municipality to set an amount lower than the statutory minimum. In *Revisions of Chapter PSC 109,* the Commission observed:

- The statutory change essentially provides the governing body of a municipality which owns a public utility the discretion as to the appropriate level of tax equivalent.

- This statutory language allows the municipality to 'freeze' the tax equivalent payment at the 1994 level. In application, future tax equivalents could be at the prior year's level, the level of the 1994 base amount or an amount equal to the current calculation under ch. PSC 109, Wis. Adm. Code. The choice is up to the municipality.

- Pursuant to s. 66.069(1)(c), Wis. Stats., the determination of the level of the municipal tax equivalent is the responsibility of the local municipal officials. Utility personnel will need to work with their municipal officials in establishing an appropriate level of tax equivalent for their situation. The utility will be responsible to report this dollar amount in the filing of all its financial statements, rate case applications and other miscellaneous reporting requirements before the Commission.

Table 5 displays the number of municipal utilities that received authorization to pay less than the maximum authorized amount of PILOT in 2010 and 2011. In both years, approximately 23 percent of the municipal water utilities had a lower PILOT authorized, resulting in a reduction in total payments of $5.8 million in 2010 and $5.9

million in 2011. In 2010, four municipal electric utilities paid $78,262 less than the calculated PILOT amount. In 2011, seven utilities paid $123,987 less than the calculated PILOT amount. Table 5 includes those utilities that paid no PILOT in 2010 and 2011.

**TABLE 5**
**Utilities With Lower Tax Equivalent Authorized**

| Utility Type | 2010 | | | | 2011 | | |
|---|---|---|---|---|---|---|---|
| **Water** | **Number** | **%** | **Difference** | | **Number** | **%** | **Difference** |
| Class A/B | 12 | 12.5 | $2,130,997 | | 15 | 15.5 | $2,345,364 |
| Class C | 18 | 12.9 | 1,562,784 | | 14 | 10.1 | 1,171,205 |
| Class D | 86 | 31.4 | 2,113,161 | | 89 | 32.2 | 2,359,788 |
| **All Utilities** | **116** | **22.8** | **$5,806,942** | | **118** | **23.1** | **$5,876,357** |
| | | | | | | | |
| **Electric** | **Number** | **%** | **Difference** | | **Number** | **%** | **Difference** |
| Class A/B | 1 | 3.1 | $24,337 | | 3 | 9.4 | $65,909 |
| Class C | 3 | 6.1 | 53,925 | | 4 | 8.2 | 58,078 |
| Class D | 0 | 0.0 | 0 | | 0 | 0.0 | 0 |
| **All Utilities** | **4** | **4.9** | **$78,262** | | **7** | **8.5** | **$123,987** |

**Issue #8: Exemption from PILOT for Sewer Utilities and Sanitary Sewer Districts**

Municipal sewer utilities are exempt from PILOT under Wis. Admin. Code § PSC 109.05, and town sanitary districts that own and operate water utilities are exempt under Wis. Admin. Code § PSC 109.06. Municipal sewer utilities are not subject to Commission jurisdiction, as the definition of a 'public utility' under Wis. Stat. § 196.01(5)(a)1. does not include a governmental unit, "who furnishes services by means of a sewerage system either directly or indirectly to or for the public." A combined water-sewer sanitary district may by ordinance be considered a single public utility subject to PSC jurisdiction under Wis. Stat. § 66.0819(2). However, the PSC is required to treat the water and sewer systems separately in terms of rates, accounting, extension rules, service standards or other regulations, unless the Commission finds that the public interest requires otherwise.

**Issue #9: Capital Intensity of Municipal Water and Electric Utilities**

In general, the municipal water industry is far more capital-intensive than the municipal electric industry. As a measure of capital intensity, Table 6 examines the dollars invested in gross utility plant for every dollar of gross utility revenue. For the 2010 and 2011 reporting years, water utilities had between $2.76 and $152.25 invested in plant for every dollar in revenue, with a median of $10.66 invested per dollar of revenue. In contrast, the electric utility amounts ranged between $0.62 and $4.02, with a median of $1.58 invested for every dollar in revenue.

**TABLE 6**
**$ Gross Plant per $ Gross Revenues**

| Utility Type | 2010 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| **Water** | **Avg.** | **Min.** | **Max.** | **Median** | **Avg.** | **Min.** | **Max.** | **Median** |
| Class A/B | $9.16 | $3.69 | $17.00 | $9.22 | $8.80 | $3.52 | $16.63 | $9.22 |
| Class C | 10.82 | 2.76 | 21.11 | 10.23 | 10.66 | 2.98 | 21.13 | 10.22 |
| Class D | 11.79 | 3.35 | 152.25 | 11.76 | 12.40 | 0.00 | 147.85 | 11.86 |
| **All Utilities** | **$9.67** | **$2.76** | **$152.25** | **$10.62** | **$9.40** | **$0.00** | **$147.85** | **$10.71** |
| | | | | | | | | |
| **Electric** | **Avg.** | **Min.** | **Max.** | **Median** | **Avg.** | **Min.** | **Max.** | **Median** |
| Class A/B | $1.67 | $0.63 | $3.25 | $1.52 | $1.67 | $0.62 | $2.87 | $1.61 |
| Class C | 1.63 | 0.64 | 3.81 | 1.52 | 1.60 | 0.64 | 4.02 | 1.47 |
| Class D | 1.86 | 1.86 | 1.86 | 1.86 | 1.87 | 1.87 | 1.87 | 1.87 |
| **All Utilities** | **$1.66** | **$0.63** | **$3.81** | **$1.54** | **$1.65** | **$0.62** | **$4.02** | **$1.61** |

### Conclusion

The cost of PILOT payments is passed on to ratepayers in the form of higher rates. PILOT payments can be a significant component of a municipal water utility's revenue requirement, meaning a large portion of a customer's water bill is actually being paid to support local government operations rather than water production and distribution. In contrast, PILOT is a much smaller component of the revenue requirement for municipal electric utilities. Because water utilities are capital-intensive, the current method for calculating PILOT may be a disincentive to replacing aging infrastructure and making improvements necessary to ensure adequate service and protect public health. In addition, while the original purpose of providing for a tax equivalent was to ensure that municipal utilities were treated on par with privately owned utilities that paid a property tax, property taxes for privately owned utilities were replaced with a gross receipts tax in

1985. As shown by this analysis, PILOT payments for most municipal water systems exceed the amount that they would otherwise pay as a gross receipts tax.

**PAYMENT IN SUPPORT OF MUNICIPAL SERVICES AGREEMENT BETWEEN WISCONSIN ILLINOIS SENIOR HOUSING, INC. AND THE VILLAGE OF MOUNT HOREB, WISCONSIN**

This Agreement is entered into by and between **WISCONSIN ILLINOIS SENIOR HOUSING, INC.** ("WISH"), an Illinois non-stock, not for profit corporation, and the **VILLAGE OF MOUNT HOREB** (the "Village"), a Wisconsin municipal corporation and is effective as of January 1, 2013 ("Agreement").

**RECITALS**

A. WISH is the owner of property located at 407 North Eighth Street, Mount Horeb, Wisconsin, and more particularly described in Exhibit A attached hereto (the "Property").

B. WISH operates the Property as a licensed skilled nursing facility and a registered residential care apartment complex (assisted living facility) pursuant to Wisconsin Statutes Chapter 50.

C. Commencing on January 1, 2013, the Property (including the personal property thereat) will qualify for exemption from property tax under Wisconsin Statutes § 70.11(4)(a).

D. WISH recognizes that, notwithstanding the property tax exempt status of the Property, the Village will provide valuable governmental services and benefits to the Property and the residents of the Property and WISH agrees to make voluntary payments to the Village in support of those services and benefits.

**AGREEMENTS**

In consideration of the mutual agreements set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Incorporation of Recitals.

The parties acknowledge that the above Recitals are incorporated as part of this Agreement.

2. Definitions.

Whenever used in this Agreement:

A. The term "Essential Municipal Services" shall mean Village services provided to Village residents and property, the expenditures for which are identified in the General Fund Budget of the Village as General Government services, Public Safety, and Public Works (except for Refuse and Garbage Collection).

B. The term "Facility" shall mean the licensed skilled nursing and registered residential care apartment complex and related facilities located at the Property.

3. Village Services.

The Village agrees to furnish municipal services to WISH and the Facility of the same type and to the same extent as are furnished from time to time, without cost or charge (except by means of property tax), to other properties and residents in the Village. WISH understands that it may be subject to special assessments or special charges charged by the Village in the same manner that such special assessments and special charges are charged to other properties in the Village in accordance with Wisconsin Statutes Chapter 66. However, nothing herein shall be interpreted to preclude WISH from exercising its rights to appeal the imposition of any special assessment or special charge as and in the manner provided by Wisconsin law.

4. Payments in Support of Municipal Services.

A. WISH to Make Payments in Support of Municipal Services. In recognition of the services and benefits provided by the Village, WISH agrees to pay the Village a payment in support of municipal services ("PSMS") for that portion of the Property that is exempt, for each calendar year during which WISH owns the Property until termination of this Agreement.

B. Voluntary Payment. WISH is voluntarily entering into this Agreement and its obligation to make PSMS payments is strictly limited to the terms of this Agreement.

C. Calculation of the PSMS Amount.

(1) For the year 2013 and thereafter, the PSMS for each year, or portion thereof, of this Agreement shall be determined as of January 1 of each year and shall be calculated as an amount that is equal to the product of:

(a) The Village's portion of the net property tax mill rate for the calendar year for which the PSMS is calculated (the "Applicable Year"); times

(b) Eighty percent (80%) (which the parties acknowledge is typically the approximate percentage of the Village's General Fund Expenditures attributable to the cost of Essential Municipal Services provided by the Village); times

(c) The value of the Property as of January 1 of the Applicable Year as determined in accordance with this Agreement ("Value").

(2) In the event that WISH transfers or conveys the Property to an unrelated third party, the PSMS for the calendar year in which the Property is conveyed shall be prorated based on the number of full months for which WISH owned the Property.

D. Value of the Property for Determination of the PSMS Amount.

(1) For the year 2012, the Village Assessor determined that the Value of the Property was $5,370,400.

(2) For the year 2013 and for each subsequent year through the year immediately prior to the year in which the Village Assessor performs a revaluation of the property in the Village (in whole or in part by class of property), the Value of the Property shall be deemed to be $5,370,400 for purposes of this Agreement. In the event that WISH constructs any new building or constructs an addition to an existing building on the Property, the Value of the Property shall be revised to take account of such new building or addition and shall be determined by the Village Assessor in the same manner as if the Property had been subject to property tax. Such determination shall be subject to the appeal rights in Paragraph 4G of this Agreement.

(3) In any year in which the Village Assessor performs a revaluation of the property in the Village (in whole or in part by class of property), the Value of the Property shall be determined in the same manner and shall be consistent with the valuation of other similar properties in the Village for tax assessment purposes as provided by law. The Value as determined by the Village Assessor for any revaluation year shall continue to be the Value of the Property for purposes of this Agreement until the next revaluation year when the Value of the Property may then be revised in accordance with the terms of this Agreement.

E. Notification of Determination of Value. For any year in which the Village Assessor performs a revaluation of the property in the Village (in whole or in part by class of property), and in the event that the Village Assessor determines that the Value of the Property is to be revised, the Village shall notify WISH of the Village Assessor's determination of the Value of the Property for such year, no later than the date on which the Village notifies property owners of assessed values under Wisconsin Statutes § 70.365

F. PSMS Due Dates. The Village shall send an invoice to WISH for the annual PSMS no later than January 15 of the year following the calendar year for which the PSMS is calculated. Upon receipt of the invoice from the Village, the annual PSMS shall be due and payable by WISH as follows: (i) in full on or before January 31 of the year following the calendar year for which the PSMS was calculated; or (ii) if WISH elects to pay in installments, according to the following schedule: one-half of the PSMS by January 31, and the remaining one-half by July 31, where January and July are in the year following the year for which the PSMS was calculated. WISH shall be deemed to have elected to pay the PSMS in installments by making payments according to the schedule herein.

G. Appeal of Value. WISH shall have the same rights to challenge any determination of Value made with respect to the Property as an owner of taxable property would have in accordance with the procedures set forth in Wisconsin law. The Village specifically acknowledges WISH's right to contest the Value of the Property under the procedures provided in Wisconsin Statutes §§ 70.47 and 74.37 and any related or successor statutes thereto, and the Village expressly agrees not to dispute or challenge WISH's right to contest the Value of the Property under said Statutes.

5. Exempt Status of the Property.

A. Property Is Exempt. The Village has determined that commencing on January 1, 2013, the Property will qualify for property tax exemption for the real property (improvements and up to ten acres of land) and the personal property thereat under Wisconsin law, subject to the filing of a completed Property Tax Exemption Request (Form PR 230) with the Village as required under Wisconsin Statutes § 70.11 (Intro.). The Village further agrees to continue to recognize the property tax exempt status of the Property in subsequent years unless there is a change in ownership or use of the Property or a change in the Wisconsin Statutes that would specifically change the status of the Property from exempt to taxable.

B. Village Determination of Change in Exempt Status. If for any reason the Village determines that the Property, or any part of the Property, no longer qualifies for exemption from property tax, for the year for which the determination is made:

(1) The Village shall give written notice of such determination to WISH no later than May 15 of that year.

(2) This Agreement shall terminate with respect to that full year and any subsequent years.

(3) If a PSMS payment has been made during that year for the immediately prior year, the Village agrees to promptly refund such PSMS payment to WISH.

(4) If WISH disagrees with the Village's determination, WISH may challenge such determination of nonexempt status by any procedure provided under Wisconsin law.

6. Term.

A. Term of the Agreement. Unless terminated sooner in accordance with paragraph 6.B., this Agreement shall terminate on December 31, 2022.

B. Termination of the Agreement. Upon the occurrence of any of the following events and notwithstanding Paragraph 6.A., this Agreement shall terminate on the earliest of any of the following:

(1) In the event that the Village determines that as a result of a statutory change by the State of Wisconsin, the Property no longer qualifies for property tax exemption, in whole or in part, this Agreement shall terminate on January 1 of the year for which the Property is determined by the Village or its Assessor to be taxable, in whole or in part, regardless of whether WISH challenges such determination.

(2) In the event that the State of Wisconsin enacts a mandatory payment for municipal services, mandatory license fee or similar type of charge by owners of property exempt from general property tax which would be imposed on WISH or the Property, this Agreement shall terminate on January 1 of the year such payment for municipal services is enacted.

(3) In the event that the applicable government authorities no longer recognize voluntary payments for services to municipal governments by organizations exempt from property tax as an allowable expense for Medicaid or other similar or successor governmental program ("Allowable Expense"), this Agreement shall terminate on December 31 of the year such payments are no longer recognized as an Allowable Expense. At its sole discretion, WISH may terminate this Agreement immediately upon written notice by WISH to the Village of the occurrence of this event and WISH shall not be obligated to make any PSMS payment for that year or any subsequent year.

(4) In the event that WISH conveys the Property to an unrelated third party, this Agreement shall terminate on the date of the conveyance unless WISH exercises the option in Paragraph 8 of this Agreement, in which case this Agreement shall not terminate upon conveyance of the Property. Within a reasonable time after the conveyance of the Property, WISH shall give notice to the Village of said conveyance of the Property and termination of this Agreement.

(5) Upon mutual agreement in writing executed by the parties to terminate the Agreement.

7. Amendment.

The Village and WISH reserve the right to amend this Agreement from time to time as they shall mutually agree in writing executed by the parties.

8. Successors and Assigns.

At the option and in the sole discretion of WISH, this Agreement may be assigned to any successor of WISH or to any other person or entity whose use of the Property also qualifies the Property for real and personal property tax exemption under Wisconsin law whereupon this Agreement shall not terminate and shall inure to and be binding on such successors and/or assigns.

9. Governing Law.

The laws of the State of Wisconsin shall be the governing law with respect to this Agreement.

10. Authority.

WISH represents and warrants to the Village that its officers executing this Agreement are duly authorized to execute and to cause WISH to enter into this Agreement. The Village represents and warrants to WISH that the undersigned Village officials are duly authorized to execute and to cause the Village to enter into this Agreement.

11. Entire Agreement.

This Agreement shall constitute the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, and all other communications between the parties relating to such subject matter.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of the date and year first written above.

| **VILLAGE OF MOUNT HOREB, WISCONSIN** | **WISCONSIN ILLINOIS SENIOR HOUSING, INC.** |
|---|---|
| By: [signature] | By: [signature] |
| Its: Village President | Its: President, CHC, Inc. as Managers for WISH |
| Attest: Cheryl J. Sutter, Clerk/Treasurer | Attest: [signature] COO of CHC, Inc. |

## EXHIBIT A

## LEGAL DESCRIPTION

Lot One (1), Certified Survey Map No. 9618, recorded in Volume 55 of Certified Survey Maps, Page 154 as Document No. 3196244, in the Village of Mount Horeb, Dane County, Wisconsin.

Together with easements established in Sanitary Sewer Easements recorded in Volume 12144 of Records, Page 50 as Document No. 2112130 and in Volume 12144 of Records, Page 51 as Document No. 2112131.

Parcel Identification Number 157/0606-121-2025-1

AGREEMENT FOR PAYMENT IN LIEU OF TAXES

FOR REAL PROPERTY

between

The Dane County Housing Authority

and

The Village of Mount Horeb

dated June 2, 2014

**AGREEMENT FOR PAYMENT IN LIEU OF TAXES FOR REAL PROPERTY**

This agreement is made and entered into as of June 2, 2014 by and between the Dane County Housing Authority (DCHA) and the Village of Mount Horeb, a municipal corporation duly established by law and located in Dane County, State of Wisconsin (Village). DCHA and the Village are collectively referred to in this Agreement as the "Parties" and are individually referred to as a "Party".

**WHEREAS,** DCHA plans to purchase, own and operate two eight unit multifamily apartment buildings (the "Project") located at 122 Ridge Drive and 303 Adams Street in the Village of Mount Horeb, Dane County, Wisconsin;

**WHEREAS,** the DCHA is a public body corporate and politic organized pursuant to section 59.53(22) of the Wisconsin Statutes;

**WHEREAS,** section 66.1201(22) of the Wisconsin Statutes states:

> TAX EXEMPTION AND PAYMENTS IN LIEU OF TAXES. The property of an authority is public property used for essential public and governmental purposes and the property and an authority are exempt from all taxes of the state or any state public body, except that the city in which a project or projects are located may fix a sum to be paid annually in lieu of taxes by the authority for the services, improvements or facilities furnished to the property of the authority by the city. The amount paid in lieu of taxes may not exceed the amount that would be levied as the annual tax of the city upon the project.

**WHEREAS,** the Parties have reached this Agreement after good faith negotiations.

**NOW THEREFORE,** in consideration of the foregoing recitals, the mutual promises set forth below, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

**PILOT Formula:** DCHA hereby agrees to pay the Village a PILOT related to the property pursuant to the following formula:

DCHA shall pay the Village an amount of money on an annual basis equal to ten percent (10%) of the rents collected in the previous year less all amounts paid by the DCHA for utilities to service the Project in the previous year.

The Formula shall be recalculated on a year to year basis and DCHA will make the payment to the Village in the first quarter of the following year based on the previous year's calculation.

**Waiver of Objections:** DCHA, for itself and its successors and assigns hereby waives any objection that it may have to the payment of the PILOT on the basis that similar charitable organizations and uses may not be required to make such payments, or may be assessed such payments in a dissimilar manner to DCHA or its successors and assigns.

**Notices:** All notices, consents, requests, or other communications provided for or permitted to be given hereunder by a Party must be in writing and will be deemed to have been properly given or served upon the personal delivery thereof, via courier delivery service or otherwise. Such notices shall be addressed or delivered to the Parties at their respective addresses shown below.

To: DCHA

Dane County Housing Authority
2001 W Broadway, Suite 1
Monona, WI 53713
Attention: Rob Dicke, Executive Director

To: Village

Village of Mount Horeb
138 E Main Street
Mount Horeb WI 53572
Attention: Dave Ross, Village Administrator

Any such addresses for the giving of notices may be changed by either Party by giving written notice as provided above to the other Party. Notice given by counsel to a Party shall be effective as notice from such Party.

**Applicable Law:** This Agreement will be made and interpreted in accordance with the laws of the State of Wisconsin. The Parties agree that sole and exclusive jurisdiction and venue for any action or litigation arising from or relating to this Agreement shall be an appropriate federal court located in the State of Wisconsin, provided that such court has jurisdiction. Absent such federal jurisdiction, the Parties agree that sole and exclusive jurisdiction and venue for any action or litigation arising from or relating to this Agreement shall be an appropriate state court located in the State of Wisconsin.

**Good Faith:** The Parties shall act in good faith to carry out and implement this Agreement.

**Force Majeure:** The Parties recognize that there is the possibility during the term of this Agreement that all or a portion of the Property or Project may be damaged or destroyed or otherwise rendered unusable due to events beyond the control of either Party. These events are referred to as "Force Majeure." As used herein, Force Majeure includes, without limitation, the following events:

1. Acts of god including floods, winds, storms, earthquake, fire or other natural calamity;
2. Acts of War or other civil insurrection or terrorism; or
3. Taking by eminent domain by any governmental entity of all or a portion of the Property or the Project.

In the event Force Majeure occurs during the ownership of the Project by DCHA that renders the Project unusable for the provision of decent, safe and sanitary housing for a period of more than sixty (60) days, then DCHA may, at its election, notify the Village of the existence of this condition as well as its decision whether or not to rebuild that portion of the Project so damaged or destroyed or taken. If DCHA elects not to rebuild, then it may notify the Village of its termination of this Agreement and the Project will thereafter be assessed and taxed as though this agreement does not exist.

**Covenants of DCHA:** During the term of the Agreement, DCHA will not voluntarily do any of the following:

1. seek to invalidate this Agreement, or otherwise take a position adverse to the purpose or validity of this Agreement, except as expressly provided herein;
2. fail to pay the Village all amounts due hereunder when due in accordance with the terms of this Agreement.

**Covenants of the Village of Mount Horeb:** So long as DCHA is not in breach of this Agreement, the Village will not do any of the following:

1. seek to invalidate this Agreement or otherwise take a position adverse to the purpose or validity of this Agreement;
2. seek to collect from DCHA any property tax upon the Property or the improvements thereon in addition to the amounts herein.

**Entire Agreement:** This Agreement is the entire Agreement between the parties regarding the subject matter hereof.

**Amendment:** This Agreement shall only be amended in a writing executed by both parties hereto.

**Recording:** The parties agree to execute a Memorandum of this Agreement which may be recorded in the office of the Dane County Register of Deeds by either party.

**Enforcement:** This Agreement may only be enforced by the parties hereto or their successors or assigns and no third party shall have standing to enforce the terms of this Agreement.

[Signature page follows.]

Executed under seal by the undersigned as of the day and year first written above, each of whom represents that it is fully and duly authorized to act on behalf of and bind its principals.

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**VILLAGE OF MOUNT HOREB**

By: David Becker    Date: June 3, 2014
David Becker, Village President

Alyssa Gross    Date: June 3, 2014
Alyssa Gross, Village Clerk

**DANE COUNTY HOUSING AUTHORITY**

By: Rob Dicke    Date: 6/3/14
Rob Dicke, Executive Director

**State of Wisconsin**

**DEPARTMENT OF NATURAL RESOURCES**
**101 S. Webster Street**
**Box 7921**
**Madison WI 53707 - 7921**

**Tony Evers , Governor**

**Adam N Payne , Secretary**

**Telephone 608-266-2621**
**Fax 608-267-3579**
**TTY Access via relay - 711**



APRIL 17, 2023

JOAN STUESSY
TREASURER
VILLAGE OF MOUNT HOREB
138 E MAIN ST
MOUNT HOREB WI 53572

SUBJECT: 70.113 Payment IN LIEU OF TAX

THIS IS THE SUPPORTING DOCUMENT FOR THE ANNUAL PAYMENT IN LIEU OF TAX (PILT) FOR LANDS OWNED BY THE DEPARTMENT OF NATURAL RESOURCES IN YOUR COMMUNITY. THE PAYMENT IS CALCULATED UNDER PROVISIONS OF SECTION 70.113 OF THE WISCONSIN STATE STATUE AND HAS BEEN MAILED MAILED OR DIRECT DEPOSITED SEPARATELY.

UNDER SECTION 70.113 PAYMENTS ARE CALCULATED IN TWO DIFFERENT WAYS DEPENDING ON WHEN THE LAND WAS ACQUIRED. PLEASE REFER TO THE OTHER LETTER FOR A BRIEF EXPLANATION ON HOW THEY ARE DETERMINED.

THE PAYMENT TO YOUR MUNICIPALITY IS:

| BASIS | ACRES | AMOUNT |
|---|---|---|
| $3.5 ACRE | 0.00 | $0.00 |
| FORMULA | 19.12 | $268.65 |
| | TOTAL: | $268.65 |

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT PILT PROGRAM MANAGER, BUREAU OF FACILITIES AND LANDS, AT DNRPILT@WISCONSIN.GOV OR AT 608-471-3444.

**State of Wisconsin**
**DEPARTMENT OF NATURAL RESOURCES**
**101 S. Webster Street**
**Box 7921**
**Madison WI 53707-7921**

**Tony Evers, Governor**
**Adam N. Payne, Secretary**
Telephone 608-266-2621
Toll Free 1-888-936-7463
TTY Access via relay - 711

WISCONSIN
DEPT. OF NATURAL RESOURCES

April 20, 2023

RE: Payment in Lieu of Tax

Dear Municipal Clerk or Treasurer:

Please find enclosed the supporting documentation for the annual Payment in Lieu of Tax (PILT) distribution for your municipality as it relates to property acquired by the Department of Natural Resources prior to January 1, 1992 under Wis. Stat. 70.113. Please note, you may have already received a separate payment, if eligible, for property acquired on or after January 1, 1992 under Wis. Stat. 70.114.

This program is designed to reduce the impact of decreased revenue on local property taxes once land acquired by the department is removed from the tax roll. Your PILT payment distribution will be mailed or electronically deposited and is calculated under direction of Wis. Stat. 70.113 and explained below. PILT payments under Wis. Stat. 70.113 fall under two categories which are broken out by the date that they were acquired.

1. For land acquired before July 1, 1969 the payment is set at $3.50 cents per acre.

2. For land acquired between and including July 1,1969 and December 31, 1991, the payment amount is determined by an assessment made by the local assessor the year after purchase. This assessment is then multiplied by the county, local and school tax rates to determine the first-year payment. For the second year's payment and each subsequent year after, the payment will be reduced by 10% each year. This occurs through the tenth-year's payment resulting in a perpetual payment thereafter at 10% of the first-year's payment. At no point in the 10-year schedule will the payment fall below $3.50 per acre.

A PILT statement that outlines the amount of the payment and the acreage which was subject to aid as of January 1st of this year is also enclosed for your reference for the 2022 tax year. This payment **does not** have to be passed onto other taxing jurisdictions.

If there are any questions regarding this payment, please contact the PILT program coordinator, Brett Daul, at DNRPILT@wisconsin.gov or (608) 471-3444.

Sincerely,

DocuSigned by:
Terry Bay
F21082F90846464...

Terry Bay
Director - Bureau of Facilities and Lands

Attachment(s): 70.113 Payment in Lieu of Tax

**Village of Mount Horeb**
**Resolution 2012-30**

**Preservation of Municipal Utility PILOTs**

**Whereas,** state law allows municipalities to receive payment in lieu of taxes (PILOTs) from municipal water and electric utilities, and PILOTs to municipalities have been authorized since at least 1918; and

**Whereas**, Public Service Commission (PSC) regulations establish a formula for determining the maximum allowable PILOT for any municipal utility, which is the municipal and school tax rates applied to the gross book value of the plant plus materials and supplies; and

**Whereas**, under current law the governing body of a municipality owning a public utility has the discretion to determine the appropriate level of PILOTs; and

**Whereas**, 511 municipal water utilities made PILOT payments totaling $92.9 million in 2011 and 82 municipal electric utilities made PILOT payments totaling $19.3 million in 2011; and

**Whereas**, on January 25, 2012, the PSC opened an investigation into PILOTs paid by municipal electric and water utilities, and on September 28, 2012 the PSC staff released a draft report concluding that:

- PILOT payments can be a significant component of municipal water utilities' revenue requirements, averaging 14.9 percent.
- The current method for calculating water utility PILOTs may be a disincentive to replacing aging utility infrastructure and making improvements necessary to ensure adequate service.
- PILOTs for most municipal water systems exceed the amount that they would otherwise pay as a gross receipts tax if they were private for profit utilities.

**Whereas,** there are several compelling reasons municipal utilities should make PILOTs to their municipalities that were not acknowledged in the PSC staff report, including:

- PILOTs provide historically stable and essential revenue that is used to improve police, fire, and other critical public services; lower property tax rates; and pursue other policy goals.
- PILOTs are a way for tax exempt entities to financially contribute towards the cost of municipal services and reduce somewhat the burden on property tax payers.

- Financial risk is deserving of financial reward. Municipalities, as the owners of utilities, should receive a dividend in return for the considerable investment they make and risk they incur in establishing utilities.
- Municipal utility facilities directly benefit from public services provided by municipalities, such as police, fire, and snow plowing.
- Municipal utility facilities are located on land within the municipality that could otherwise be privately developed and the owners paying property taxes.

**Whereas,** PILOTs and gross receipts taxes are fundamentally different and there is no substantive benefit in trying to skew the outputs so they are reflective of each other.

**Now, Therefore, Be It Resolved**, that the Village Board of the Village of Mount Horeb, opposes any efforts by the PSC, the state Legislature, and the Governor to eliminate or limit PILOTs from municipal water and electric utilities.

Introduced and passed this 7th day of November, 2012.

__________________________________

David L Becker, Village President

ATTEST:

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Cheryl J Sutter, Village Clerk