



## Local Government Levy Limits

---



# Overview of Presentation

## General review of levy limits

- Net new construction and TIF Closures
  - Carryforward
  - Most common debt service adjustment (Adjustment E)
  - Referendums
  - Intergovernmental agreement cost shifts
  - Joint fire departments
  - Transfer of services
  - Covered services negative adjustment
  - Other available adjustments
-



# Constraints on Local Government Levies

- Current limit:
  - ✓ 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  - ✓ Operating levy rate limits permanently repealed in 2013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



## Net New Construction & TID Closure

- Both values calculated by DOR and pre-populated on worksheet
- TID closure (or territory subtraction) adjustments
  - Final TID increment value / TID OUT EV x 50%
  - Available year following year in which final TID increment value
- “Use it or lose it”, subject to carryover adjustments
- Base building/applied before any other adjustments taken



# Carryforward

	One-Year Carryforward	Five-Year Carryforward
Allowable Amount	Capped at 1.5% of prior year's actual levy	Capped at 5.0% of prior year's actual levy less adjustments
Occurs When	Prior year's actual levy was less than allowable levy	Percentage increase in actual levy less adjustments in prior years was less than net new construction
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	Planned G.O. debt outstanding in upcoming year must be less than in current 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 (cont.)

- 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



## Debt Service Adjustments

- For purposes of levy limits, general obligation (G.O.) debt is segregated into two categories based on the date of authorization:
  - ✓ Prior to July 1, 2005
  - ✓ On or after July 1, 2005
- Pre-July 1, 2005 G.O. debt that is refunded with debt authorized on or after July 1, 2005 falls into the latter category
- "*Authorized*" refers to the act of adopting an initial or authorizing resolution (not actual issuance)



## Debt Service Adjustments (cont.)

- 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 the 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.)





# Pre-2005 G.O. Debt (Adjustment B)

**Decrease in levy amount** from prior year's pre-July 1, 2005 G.O. Debt levy

Amount of negative adjustments



Issue Dated	G.O. Corporate Purpose Bonds 6/1/2005			General Obligation Refunding Bonds 6/1/2005			Total Payment	Change in Pymt Over Prior Year	Less Tax Increments	Less Spec Assmts	Total Levy	Change in Levy Over Prior Year	YEAR
Year	Prin (6/1)	Rate	Interest	Prin (6/1)	Rate	Interest							
2019	220,000	3.300%	66,445	160,000	3.650%	37,728	484,173		(85,934)	(98,864)	299,375		2019
2020	225,000	3.400%	58,990	165,000	3.700%	31,755	480,745	(3,428)	(85,197)	(98,378)	297,171	(2,205)	2020
2021	250,000	3.500%	50,790	175,000	3.750%	25,421	501,211	20,466	(90,237)	(100,211)	310,764	13,593	2021
2022	275,000	3.600%	41,465	180,000	3.850%	18,675	515,140	13,929	(126,586)	(99,338)	289,217	(21,547)	2022
2023	300,000	3.700%	30,965	190,000	3.900%	11,505	532,470	17,330	(132,386)	(100,753)	299,332	10,115	2023
2024	325,000	3.800%	19,240	195,000	4.000%	3,900	543,140	10,670	(137,696)	(99,450)	305,994	6,663	2024
2025	335,000	3.900%	6,533				341,533	(201,608)	(136,613)		204,920	(101,075)	2025
<b>TOTAL</b>	<b>1,930,000</b>		<b>274,428</b>	<b>1,065,000</b>		<b>128,984</b>	<b>3,398,411</b>	<b>(142,640)</b>	<b>(794,649)</b>	<b>(596,992)</b>	<b>2,006,771</b>	<b>(94,456)</b>	



# Pre-2005 G.O. Debt (Adjustment C)

- **Increase in payment amount** from prior year's pre-July 1, 2005 G.O. Debt payment
- Levy worksheet refers to levy amount only but statute refers to General Obligation Debt Payments

Amount of payment increases



Issue Dated	G.O. Corporate Purpose Bonds 6/1/2005			General Obligation Refunding Bonds 6/1/2005			Total Payment	Change in Pymt Over Prior Year	Less Tax Increments	Less Spec Assmts	Total Levy	Change in Levy Over Prior Year	YEAR
	Prin (6/1)	Rate	Interest	Prin (6/1)	Rate	Interest							
2019	220,000	3.300%	66,445	160,000	3.650%	37,728	484,173		(85,934)	(98,864)	299,375		2019
2020	225,000	3.400%	58,990	165,000	3.700%	31,755	480,745	(3,428)	(85,197)	(98,378)	297,171	(2,205)	2020
2021	250,000	3.500%	50,790	175,000	3.750%	25,421	501,211	20,466	(90,237)	(100,211)	310,764	13,593	2021
2022	275,000	3.600%	41,465	180,000	3.850%	18,675	515,140	13,929	(126,586)	(99,338)	289,217	(21,547)	2022
2023	300,000	3.700%	30,965	190,000	3.900%	11,505	532,470	17,330	(132,386)	(100,753)	299,332	10,115	2023
2024	325,000	3.800%	19,240	195,000	4.000%	3,900	543,140	10,670	(137,696)	(99,450)	305,994	6,663	2024
2025	335,000	3.900%	6,533				341,533	(201,608)	(136,613)		204,920	(101,075)	2025
<b>TOTAL</b>	<b>1,930,000</b>		<b>274,428</b>	<b>1,065,000</b>		<b>128,984</b>	<b>3,398,411</b>	<b>(142,640)</b>	<b>(794,649)</b>	<b>(596,992)</b>	<b>2,006,771</b>	<b>(94,456)</b>	



## Pre-2005 G.O. Debt (Adjustment C) (cont.)

- Can add the increase even if tax levy is not used to support the payment
- Always to your advantage to claim this addition
- It is possible to have both a negative adjustment, and an increase in payment in the same year

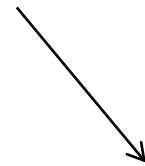


# Post-2005 G.O. Debt (Adjustment E)

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

Maximum allowable amount for this line

Amount actually needed  
for debt payment



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					
<b>2019</b>	290,000	115,920	405,920	190,000	17,230	207,230	613,150	(202,960)	(25,000)	385,190	<b>2019</b>
<b>2020</b>	300,000	106,350	406,350	200,000	12,840	212,840	619,190	(203,175)	(25,000)	391,015	<b>2020</b>
<b>2021</b>	310,000	96,150	406,150	210,000	8,020	218,020	624,170	(203,075)	(25,000)	396,095	<b>2021</b>
<b>2022</b>	320,000	85,300	405,300	220,000	2,750	222,750	628,050	(202,650)	(25,000)	400,400	<b>2022</b>
<b>2023</b>	330,000	73,780	403,780				403,780	(201,890)	(25,000)	176,890	<b>2023</b>
<b>2024</b>	340,000	61,570	401,570				401,570	(200,785)	(25,000)	175,785	<b>2024</b>
<b>2025</b>	350,000	48,650	398,650				398,650	(199,325)	(25,000)	174,325	<b>2025</b>
<b>2026</b>	375,000	35,000	410,000				410,000	(205,000)		205,000	<b>2026</b>
<b>2027</b>	400,000	20,000	420,000				420,000	(210,000)		210,000	<b>2027</b>
<b>TOTAL</b>	<b>3,015,000</b>	<b>642,720</b>	<b>3,657,720</b>	<b>820,000</b>	<b>40,840</b>	<b>860,840</b>	<b>4,518,560</b>	<b>(1,828,860)</b>	<b>(175,000)</b>	<b>2,514,700</b>	



## Post-2005 G.O. Debt (Adjustment E) (cont.)

**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 as was discussed in relation to Line 3.

**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 (more on this later)



## Referendum Adjustment

### **Levy increase based on an approved referendum question**

- Resolution must specify proposed amount of the levy increase beyond the allowable amount and if increase is one-time or ongoing.
- Must state purpose of the proposed increase.
- Must know net new construction amount before a referendum is held. Net new construction is available in August, so November election is only time a levy limit referendum can occur.



# Intergovernmental Agreement Cost Shifts

Used to increase or decrease your levy limit for cost shifts related to provision of consolidated services with another governmental entity

- There must be an intergovernmental cooperation agreement in place (Wisconsin Statutes 66.0301)
- The cost shift must be a result of an agreement to change apportionment of costs to reflect a more equitable distribution



## Intergovernmental Agreement Cost Shifts

Example: Community A and B fund a joint library. The basis for the cost share changes from valuation to population, resulting in an increase in Community A's share of the joint library cost

### Community A

- Increases its share of cost to pay for service
- Amount of levy increase claimed as Adjustment H

### Community B

- Decreases its share of cost to pay for service
- Amount of levy decrease claimed as Adjustment H
- Amount of decrease must be the same as the amount of the Community A increase





## Joint Fire Departments

Adjustment for increases in charges assessed by a joint fire department (JFD)\* can only be claimed if the following two conditions are met:

- To be eligible for this adjustment, total JFD charges to the member communities may not increase over the prior year by an amount greater than the change in the CPI\*\*, plus 2%
- Each governing body served by the JFD must adopt a resolution in favor of allowing the member communities to exceed their limit prior to other adjustments

\* *Organized under Wisconsin Statutes Sections 61.65(2)(a)3., 62.13(2m), or 66.0301(2)*

\*\* *Change in the U.S. CPI for urban customers, U.S. city average, as determined by the U.S. Department of Labor for the preceding 12 months ending on September 30 in the year of the levy*



# Transfer of Services

Transfer of services **to** other governmental units

- If a service was transferred to another political subdivision in the preceding year, **subtract the levy amount** that would have been incurred to provide this service
- *Example* – a county assumes responsibility for providing health department services in a city that previously provided this service – the city must decrease its levy limit by the amount it levied last year to provide that service



## Transfer of Services (cont.)

Transfer of services **from** other governmental units

- If a political subdivision provides a service transferred from another government that provided the service in the preceding year, **add the levy increase** needed to provide this service
- *Example* – a city decides to start its own library, and was previously served by a county wide library system. The city may increase its levy by the amount needed to provide the new service



## Covered Services

A negative adjustment applies if a “covered service” was funded in whole or part by the 2012 tax levy for the 2013 budget

Covered services:

- Garbage collection (does not include recycling)
- Snow plowing
- Storm water management
- Street sweeping
- Fire protection (does not include the production, storage, transmission, sale and delivery, or furnishing of water for public fire protection purposes)



## Covered Services (cont.)

### Negative Adjustment

- The levy limit is reduced by the amount of fee revenue resulting from implementation of a user fee
- The amount of the reduction is equal to:
  - ✓ Estimated user fee revenue
  - ✓ Not to exceed levy support provided for that service **in the 2013 budget**
- If the anticipated amount of user fee revenue that will be generated exceeds the 2013 budget levy support total, results in a net increase in total revenue
- Applies to fees or increases implemented on or after July 2, 2013



## Covered Services (cont.)

### Negative Adjustment

- Also applies to PILOT payments
  - ✓ If a PILOT is paying for covered services, a deduction must be taken for that portion of the PILOT that pays for covered services
- Negative adjustment for covered service does not apply if a resolution stating the levy limit should not be reduced is approved in a referendum.



# Covered Services Example

**Example 1** (Full Conversion to User Fee):

	2013 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 Services Example

**Example 2** (Fee Increase to Reduce Levy Requirement):

	2013 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	





## Workforce Housing (NEW)

2017 Wisconsin Act 243 permits municipalities to increase their levy limit by \$1,000 for each new single-family residential dwelling unit issued an occupancy permit in the preceding year if the following are also the case:

1. The dwelling unit is located on a parcel of no more than  $\frac{1}{4}$  acre.  
(Or on a parcel of no more than one acre in a town).
2. The dwelling is sold for not more than 80 percent of the median price of a new residential dwelling unit within the municipality.



## Workforce Housing (cont.)

- The additional amount the municipality can levy under this provision must be used to pay for the cost of police protective services, fire protective service, or emergency medical services.
  - To claim this adjustment, the municipality must not decrease the amount it spends for these services as compared to the preceding year.
-



## Workforce Housing (cont.)

Parcel #	Address	Occupancy Permit Date	Land Value	Total Cost	Sale Date	Sale Price	Acreage
0207100114	4890 Glacier View Dr	1/25/2018	28,300	213,300	2/16/2018	213,900	0.24
0207100123	4855 Glacier View Dr	2/5/2018	26,800	216,800	2/19/2018	221,000	0.21
0208400254	4305 Crossing Ln	2/14/2018	14,000	171,000	2/26/2018	208,900	0.13
0207100113	4850 Glacier View Dr	2/23/2018	28,300	218,300	3/30/2018	219,500	0.24
0207100126	4765 Glacier View Dr	3/23/2018	27,700	212,700	3/9/2018	244,500	0.23
0204400093	5114 Henry Circle	3/21/2018	27,600	247,600	3/23/2018	243,000	0.23
0207100337	4966 Glacier View Dr	4/11/2018	26,900	221,900	5/4/2018	229,800	0.21
0411300110	2533 S. Terrace St	4/30/2018	22,400	22,400	4/30/2018	203,000	0.25
0207100341	4993 Glacier View Dr	5/2/2018	27,700	210,200	5/21/2018	222,500	0.23
0207100340	4994 Glacier View Dr	5/10/2018	26,300	213,300	6/15/2018	227,700	0.2
0207100342	4991 Glacier View Dr	5/14/2018	28,800	218,800	6/8/2018	228,500	0.25
0208400252	4032 Crossing Ln	5/10/2018	14,000	194,000	5/18/2018	195,000	0.13
0204400092	5126 Henry Circle	6/14/2018	27,300	287,300	6/15/2018	279,900	0.22
0208200450	4415 Braxton	8/24/2018	14,000	429,000	4/23/2018	230,000	0.13
0208200450	4351 Huntinghome Dr	10/31/2018	14,000	429,000	8/24/2018	220,100	0.17

Median Home Sale Price (2018) 275,000  
 80% of Median Sales Price 220,000



## Other Adjustments

- Increase for Towns with population of less than 3,000
- Refunded or rescinded taxes
- Unreimbursed expenses for emergency declarations
- Consolidation of services (County only adjustment)
- Annexations
- Lease revenue bonds issued prior to 7/1/2005
- Shortfall adjustments for revenue bonds (utility and special assessment)
- General fund shortfall resulting from loss of water sale revenue due to a discontinued manufacturing operation



# Levy Limit Management

Some debt service adjustment related strategies to consider:

- Converting covered services to user fee basis where user fee revenues will exceed 2013 budget levy support
- Using abated post July 1, 2005 G.O. debt service to increase allowable levy
- Short term financing



# Abated Post-2005 Debt

Worksheet allows you to claim up to the total amount of your post-2005 G.O. debt payment on the Adjustment E. line

Amount actually needed for debt payment

Year	Total Payment	Less Utility Revenues	Less Impact Fees	Total Levy	Abated Debt Levy	YEAR
2019	632,610	(202,960)	(25,000)	404,650	227,960	2019
2020	638,650	(203,175)	(25,000)	410,475	228,175	2020
2021	643,630	(203,075)	(25,000)	415,555	228,075	2021
2022	647,510	(202,650)	(25,000)	419,860	227,650	2022
2023	650,250	(201,890)	(25,000)	423,360	226,890	2023
2024	651,810	(200,785)	(25,000)	426,025	225,785	2024
2025	652,150	(199,325)	(25,000)	427,825	224,325	2025
2026	410,000	(205,000)		205,000	205,000	2026
2027	420,000	(210,000)		210,000	210,000	2027

**TOTAL 5,346,610 (1,828,860) (175,000) 3,342,750 2,003,860**

Additional levy capacity not needed for debt payments



## Abated Post-2005 Debt

Advisability of claiming a Line E adjustment greater than actually needed for debt payments

- If additional levy will be used for capital projects or non-recurring expenditures, probably a good strategy
- 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



## Short Term Financing

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.
- Advisable to pay off within 90 days
- 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





# 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)



Todd Taves  
Senior Municipal Advisor  
[ttaves@ehlers-inc.com](mailto:ttaves@ehlers-inc.com)

---