

*Payment In Lieu of Taxes and Its Impact on
The Madison Water Utility*

February 26, 2014

Payment in Lieu of Taxes is now the largest line item expense in the 2014 Madison Water Utility Budget. At \$5,919,256, it represents 16.9% of the entire budget. And it is growing rapidly as a result of the replacement of water distribution plant and necessary water treatment improvements. Since 2012, PILOT has increased some \$900,000, or an increase of 18%

In these times where local government's revenues have been reduced by the recession and by restrictions imposed by the state government, communities have looked to their locally owned utilities for revenues. Of the three enterprises involved in water resources, the Water Utility, the Sewer Utility, and the Stormwater Utility, only the Water Utility can be assessed PILOT.

These three utilities have \$84,627,687 budgeted for expenses in 2014 of which the Water Utility's PILOT represents 7%.

Thus far, these expenditures have enjoyed the support of the rate payers. However, the Water Utility Board is concerned that future increases, even at the Board's goal not to exceed 9% per year, will erode the support of the rate payers, many of whom are on fixed income. Furthermore, the Water Utility Board is concerned necessary improvements for replacement of infrastructure and water quality, effectively charges the rate payer twice, once for principal and interest and once again for PILOT.

The Water Utility Board is also sensitive to the needs of the City, which helpfully financed the Water Utility in recent years.

Therefore, the Water Utility Board recommends:

- That the PILOT for 2015 and beyond not exceed 15% of the expenses of the Madison Water Utility, or 7% of the expenses of the combined expenses of the water resources enterprises, but not be less than the PILOT provided in the 2014 Water Utility Operating Budget.