



# City of Madison

City of Madison  
Madison, WI 53703  
www.cityofmadison.com

## Meeting Minutes - Approved PAYMENTS IN LIEU OF TAXES (PILOT) TASK FORCE

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Wednesday, October 3, 2012

5:00 PM

215 Martin Luther King, Jr. Blvd.  
Room LL 120 (Madison Municipal Building)

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### CALL TO ORDER / ROLL CALL

Ald. Johnson arrived at 5:07 p.m.

Darrell Bazzell arrived at 5:20 p.m.

Andrew Reshovsky arrived at 5:30 p.m.

**Present:** 6 -

Joseph R. Clausius; Michael G. Heifetz; Jay Robaidek; Mark Elsdon; Jean A. Bachhuber and Roger Goodwin

**Absent:** 5 -

Jill Johnson; Timothy J. Conroy; Rachel E. Krinsky; Andrew M. Reschovsky and Darrell L. Bazzell

### APPROVAL OF MINUTES

A motion was made by Heifetz, seconded by Clausius, to Approve the Minutes.

The motion passed by voice vote/other.

Ald. Johnson arrived.

**Present:** 7 -

Jill Johnson; Joseph R. Clausius; Michael G. Heifetz; Jay Robaidek; Mark Elsdon; Jean A. Bachhuber and Roger Goodwin

**Absent:** 4 -

Timothy J. Conroy; Rachel E. Krinsky; Andrew M. Reschovsky and Darrell L. Bazzell

### PUBLIC COMMENT

There were no registrants.

### DISCLOSURES AND RECUSALS

None.

### AGENDA

Darrell Bazzell and Andrew Reshovsky arrived during Item No. 1.

**Present:** 9 -

Jill Johnson; Joseph R. Clausius; Michael G. Heifetz; Jay Robaidek; Mark Elsdon; Jean A. Bachhuber; Andrew M. Reschovsky; Roger Goodwin and Darrell L. Bazzell

**Absent:** 2 -

Timothy J. Conroy and Rachel E. Krinsky

1. **27837** Payment in Lieu of Taxes (PILOT) Task Force 10-3-12 Agenda

1. Comments from Task Force Chair

2. Task Force Member Comments

### 3. Overview of City Services

#### City Operating and Capital Budget Allocations

#### Description of Services in Key City Agencies

- Police Department
- Fire Department
- Streets Division
- Engineering Division
- Metro Transit

**During the Description of Services in Key City Agencies the following was discussed:**

#### **Police Department-Chief Noble Wray**

**Member Bazzell asked how the City determines the City's costs for services to the University in terms of the municipal services payment.**

**David Schmiedicke explained that the municipal services calculation takes the total budget for the Police Department and then it nets out revenues that they may get directly to the Police Department. Then it applies a percentage of the state owned property as a share of the city-wide property value. Finally, it makes a further deduction to the amount based on the fact that the university has its own police force, as well as a deduction for security operations such as Capitol Police and DHS facilities. This is about a 20% deduction for the UW and a 40% deduction for the other state-owned facilities.**

**Member Bazzell asked if it is based on actual response.**

**David Schmiedicke replied that it is not based on actual response.**

#### **Fire Department-Chief Steven Davis**

**Chairman Goodwin asked how many total emergency response calls the Fire Department receives and what percentage are medical related.**

**Chief Davis explained that about 24-25,000 responses are made in a year and about 19,000 are medical related. He further explained their Priority Dispatching Program. The fire department has a connection with the Dane County COM Center and when someone calls in and explains their problem, the computer recommends the type of response needed; just an ambulance, an ambulance and an engine, or if there is more needed to be dispatched. This program has helped cut costs to the Fire Department by not sending an engine on every call.**

#### **Engineering Division-Christy Bachmann and Gregory Fries**

**Chairman Goodwin asked how the Sewer and Stormwater utilities are funded and how the users are assessed.**

**Gregory Fries explained that the Sewer and Stormwater utilities are largely funded by user fees and that no general tax revenues go into either utility.**

Sanitary sewer is charged based on water usage. There are exceptions. If you are a heavy water user and you are making a product that uses a lot of water, you can get a credit or D- duct meter so you are not charged the same for sanitary that you are for water. But for the average household, you are charged the same flow for sanitary sewer charges that you are for your water bill. Storm sewer is charged on impervious and pervious areas. The idea being that you are charged for how much you contribute to the system during a 10 year event. In rough numbers, the impervious area's rate is about 14 times the pervious area's rate. Charges are based on each parcel's area. For anything over a two-unit, we digitize the area off plans or off photograph. For one and two family units, we use the Assessor's data base. The Assessor has square footages that we use with a formula to calculate how much impervious area they have on their lot. We know how big the lot is so we can back calculate the pervious area. Most surrounding areas are less exact. We use what is called an equivalent residential unit.

Chairman Goodwin asked if St. Mary's Hospital is paying stormwater fees on the size of the parking lots and the size of the rooftops as a way of clarification.

Gregory Fries explained that in 2000, changes were implemented at the Stormwater Utility that shifted who pays for what. For example, one of the places that was looked at was the big glass building on the square. If you looked at what they paid out of their general tax revenue towards stormwater charges, before the 2000 changes when we had a Stormwater utility, they paid more than West Towne Mall did. From a stormwater perspective it makes no sense. The property on the square is only half a block. West Towne Mall is hundreds of acres in terms of stormwater runoff. There is no way to justify that type of inequity in charging. Also, non-taxable properties are currently charged stormwater fees. Stormwater utilities are payable by all properties, including government agencies. Even City agencies such as the Streets Department pay stormwater fees.

Existing Payment in Lieu of Taxes (PILOT) Agreements

- Process for establishing PILOT agreements
- Amount of PILOT payments

Ho-Chunk PILOT Agreement

During the Existing Payments in Lieu of Taxes (PILOT) Agreements and HO-Chunk PILOT Agreement, the following was discussed:

Roger Goodwin asked how the payments are determined; by a formula or criteria; or is it largely negotiated.

Dave Schmiedicke explained: The PILOT agreements that have been put together over the years are based on a number of different measures. Some senior housing is based on a unit calculation and a cost of services per unit. Other agreements may be tied to an estimated property value with some sense of a relative cost of services based on property value. Each is negotiated on a case by case basis. Just looking at the history of PILOTs, many of these senior housing entities came into existence 10-15 years ago. We haven't seen as many recently. A model was built for collecting PILOT type of payment in those instances. The other point I want to make is that it has to be tied to a cost of service. It can't be a substitute tax.

Member Bazzell asked for clarification about the previous slide. Are the criteria and conditions around the agreements codified somewhere; such as an ordinance or state law.

David Schmiedicke responded that it really starts with zoning. Can they get a conditional use permit? Let's say a tax exempt entity wants to put a building up and that building is not allowed under the zoning map, but we can make an exception. Then, under state law or ordinance, if the city says that it is going to require city services as a condition of giving them the variance they can then enter into a PILOT agreement.

Darrell Bazzell asked for that material to be shared with the committee.

Robert Keller asked if Oakwood East is one of the entities that has a PILOT agreement.

David Schmiedicke stated that it is. They aren't on our list so we may not yet be collecting from them.

Mike Kurth added that he also didn't see Attic Angels so maybe there may be a couple we haven't collected from.

Michael Heifetz asked if is mandatory for the City to enter into a PILOT agreement. For example, there is a project and it is probably going to generate a need for more services. Can the city just say, "You know what, we want the project or we don't need to have the discussion on this one" and the city just does not choose to pursue a PILOT and or decide how much hardball to play so to speak.

David Schmiedicke explained that it is permissible.

Chairman Goodwin asked if every conditional use permit with a non-profit is generating the PILOT.

David Schmiedicke explained that this is why the structure of these agreements has been different for each one. How to come at the issue has evolved over time.

Michael Heifetz asked if you still have to have a nexus so to speak.

David Schmiedicke answered that the nexus is zoning and adverse economic impact.

Darrell Bazzell asked about the state's role in local agreements with tribes. Are these global deals, or does the State cut its deal and then the local government does, or are these separate considerations?

David Schmiedicke explained that the compacts are with the State, but facilities are located in local communities. For example, on the De Jope or other casino facilities, they need services from the community and some arrangements are needed regarding revenue sharing.

Darrell Bazzell asked if the PILOT is different from the State compact.

David Schmiedicke explained that yes it is and that usually a separate agreement is negotiated with local governments. You can see that with the Milwaukee case and other local agreements, the tribe says it's going to provide a set percent of what will be paid to the State.

Mark Elsdon asked how the PILOT with the Ho-chunk nation was initially calculated.

David Schmiedicke explained that it came down to a sense of what those costs are and an estimated value based on costs to provide services to the facility. The agreement includes an inflation clause that is used in the billing process of each of the individual PILOT agreements.

Mike Kurth commented that the exemption of a property has nothing to do with whether or not they have to or are willing to make a PILOT agreement. It's a completely separate decision made by the Assessor's office whether a property is exempt or not. We don't usually get involved with PILOTs because we are a separate entity.

Chairman Goodwin asked if someone has to apply for a conditional use permit for additional land use to trigger the State process.

Dave Schmiedicke explained that in the case of the De Jope facility, the City had a proactive strategy associated with annexing certain property which resulted in the need to seek City services.

**4. Schedule Next Meeting**

**The next meeting is scheduled for Wednesday, October 24, at 5 p.m. in LL-120 MMB Conference Room.**

**The Phone conference has been scheduled for Wednesday, November 28 at Fire Station 6 beginning at 5 p.m.**

**ADJOURNMENT**

**A motion was made by Bazzell, seconded by Heifetz, to Adjourn at 6:30 p.m. The motion passed by voice vote/other.**