



## Legislation Text

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**File #:** 28413, **Version:** 1

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### Fiscal Note

The 2013 adopted budget includes an estimated \$5,368,242, in payments in lieu of taxes (PILOT) from the Madison Water Utility. This is 9.6% greater than the amount in the 2012 adopted budget. Calculation of this PILOT is based on the asset value of the property held by the Water Utility multiplied by the property tax mill rate for the city and school district and conforms with current Wisconsin Public Service Commission administrative rules and state law

The amount of PILOT received is equivalent to \$60 in property taxes on the average value home and represents 2% of general fund revenues.

### Title

Payment in Lieu of Taxes (PILOTs)

### Body

WHEREAS, state law has allowed municipalities to receive payment in lieu of taxes (PILOTs) from municipal water and electric utilities 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 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 acknowledge 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 Mayor and Common Council of the City of Madison oppose any efforts by the PSC, the state Legislature, and the Governor to limit or eliminate PILOTs from municipal water and electric utilities.