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PUBLIC NOTICE OF A COMMITTEE MEETING OF THE CITY OF WATERLOO COMMON COUNCIL

Pursuant to Section 19.84 Wisconsin Statutes, notice is hereby given to the public and news media, that a public meeting will be held to consider the following:

COMMITTEE: FINANCE, INSURANCE & PERSONNEL COMMITTEE
DATE: June 21, 2018
TIME: 6:00 pm
LOCATION: Municipal Building Council Chamber, 136 N. Monroe Street

1. CALL TO ORDER AND ROLL CALL
2. MEETING MINUTES APPROVAL: May 17, 2018
3. PUBLIC COMMENT
4. STAFF REPORTS AND/OR INFORMATION UPDATES.
 - a. Considering The Closure Of Tax Incremental District No. 1
 - b. Scheduling A Municipal-wide Property Revaluation, Board Of Review Meeting And 2019-2020 Budget Recommendation
 - c. AFLAC Update
 - d. Telecom Fitness, Savings To Date
5. NEW BUSINESS
 - a. Utility Commission Recommendation, Modifying The Formula For Calculating Future Utility Payments In Lieu Of Taxes (PILOT)
 - b. General Disbursements, May 2018 - \$450,858.56 ***
 - c. Payroll, May 2018 - \$64,302.18 ***
 - d. Treasurer's Report & Budget Reports For May 2018 ***
 - e. Amending the 2018 Budget
 - i. December Recommended Amendment #1 Capital Fund Fix Due To No Wheel Tax Revenue
 - ii. December Recommended Amendment #2 Funding The 2018 Watertown Humane Society Contract With Contingency Line Item Dollars
 - iii. Remediating 2010 Use Of TID #2 Revenue For South Monroe Street Improvements
 - iv. Library Amendments Submitted By Director, As Needed
 - v. 333 Portland Road, Budgeting For Site Remediation And Costs Related To Future Private Sector Reuse
 - vi. Budgeting For And Fully Identifying All Inter-Fund Loans Transactions
 - vii. Correcting Debt Service Dollars Values
 - viii. Making Accurate, 2018 Fee In Lieu Of Taxes Revenue, Line Item (100-41-4131-000)
 - ix. Applying Available Revenue To Prepay Debt To Shrink Future Interest Payments
6. FUTURE AGENDA ITEMS AND ANNOUNCEMENTS
7. ADJOURNMENT

Mo Hansen

Mo Hansen
Clerk/Treasurer

***See Council Packet; Digital Version As Stand Alone Document On Webpage

Committee Members: Springer, Quimby and Griffin

Posted, Emailed & Distributed: 06/17/2018

PLEASE NOTE: It is possible that members of and possibly a quorum of members of other governmental bodies of the municipality may be in attendance at the above meeting(s) to gather information. No action will be taken by any governmental body other than that specifically noticed. Also, upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information or to request such services please contact the clerk's office at the above location.

CITY OF WATERLOO FINANCE, INSURANCE & PERSONNEL COMMITTEE: MEETING MINUTES
May 17, 2018

1. CALL TO ORDER AND ROLL CALL. Alderperson Springer called the meeting to order at 6:00 p.m. Members present: Springer, Quimby & Griffin. Absent: None. Also attending: Mayor Thompson; Alderperson Tim Thomas; Police Chief Denis Sorenson; Parks Director Gabe Haberkorn; Matthew Ruechel and Clerk/Treasurer Hansen.
2. MEETING MINUTES APPROVAL. : MOTION: Moved by Quimby, seconded by Griffin to approve the April 19; March 15; February 15; February 1; December 1, 2017; November 16, 2017; October 19, 2017; October 12, 2017; September 21, 2017; August 24, 2017; August 17, 2017; and July 20, 2017 meeting minutes. VOICE VOTE: Motion carried.
3. PUBLIC COMMENT. None.
4. NEW BUSINESS
 - a. General Disbursements, April 2018 - \$202,397.86. MOTION: Moved by Quimby, seconded by Griffin to recommend Council disbursement approval. ROLL CALL VOTE: Ayes: Quimby, Griffin and Springer. Noes: none. MOTION CARRIED.
 - b. Payroll, April 2018 - \$64,896.79. MOTION: Moved by Quimby, seconded by Griffin to recommend Council payroll approval. ROLL CALL VOTE: Ayes: Quimby, Griffin and Springer. Noes: none. MOTION CARRIED.
 - c. Treasurer's Report & Budget Reports For April 2018. MOTION: Moved by Quimby, seconded by Griffin to recommend Council report approval. ROLL CALL VOTE: Ayes: Quimby, Griffin and Springer. Noes: none. MOTION CARRIED.
 - d. Amending The Fee Waterloo Fee Schedule – Park Rental Amounts As Recommended By The Parks Commission. MOTION: Moved by Quimby, seconded by Griffin to agree with the Parks Commission recommendation. VOICE VOTE: MOTION CARRIED.
 - e. Parks Commission Referral Of Existing Parks Fund Deficit. DISCUSSION: Gabe Haberkorn suggested allowing time to pass to see if upward trending revenue could cover the shortfall. Mayor Thompson asked questions about capital items such as sanitary sewer lines needing to be replaced. Thompson suggested that such an expense would be a Waterloo Utility expense and not a Park expense. By consensus the body took no action heeding the Director's suggestion. Springer suggested a remedy be worked into the 2019 budget.
 - f. Aflac Presentation – Employee Benefit Products. DISCUSSION: Matt Ruechel and an associate spoke in favor of offering municipal employees benefits from their company. The assumption was that any offering would be at no cost to the City. ACTION: Alder Springer asked Hansen to set up a meeting opportunity for municipal employees.
 - g. Revising The City Of Waterloo Fee Schedule, Assessing A \$15 Charge For Finger Printing Services To Be Charged At The Discretion Of The Police Chief Or His Designee. MOTION: Moved by Quimby, seconded by Griffin to recommend updating the fee schedule to assess a \$15 charge for finger printing services at the Police Chief's discretion. VOICE VOTE: MOTION CARRIED.
5. FUTURE AGENDA ITEMS AND ANNOUNCEMENTS. Noted.
 - a. 2018 Formal Budget Amendment To Include:
 - i. Capital Fund Fix Due To No Wheel Tax Revenue
 - ii. Library Parking Lot
 - iii. 333 Portland Road
 - iv. Fix Debt Service Deficit (Fund 300)
 - v. Fix Over Projected Fee In Lieu Of Tax Amount
6. ADJOURNMENT. MOTION: Moved by Griffin, seconded by Quimby to adjourn. VOICE VOTE: Motion carried. Approximate time: 6:41 p.m.

Attest:



Mo Hansen
Clerk/Treasurer

CITY OF WATERLOO
 DETAIL REVENUES WITH COMPARISON TO BUDGET
 FOR THE 4 MONTHS ENDING APRIL 30, 2018

FUND 410 - TIF DISTRICT 1 FUND

	PERIOD ACTUAL	YTD ACTUAL	BUDGET AMOUNT	VARIANCE	% OF BUDGET
<u>TAXES</u>					
410-41-4111-000 TAX INCREMENTS	.00	150,341.46	182,941.00	(32,599.54)	82.18
TOTAL TAXES	.00	150,341.46	182,941.00	(32,599.54)	82.18
<u>INTERGOVERNMENTAL REVENUE</u>					
410-43-4364-000 STATE AID EXEMPT COMPUTERS	.00	.00	418,239.00	(418,239.00)	.00
TOTAL INTERGOVERNMENTAL REVENUE	.00	.00	418,239.00	(418,239.00)	.00
TOTAL FUND REVENUE	.00	150,341.46	601,180.00	(450,838.54)	25.01

Clerk/Treasurer 5/18/2018 notes on Computer Aid...

About 98% of all Computer Aid in the City of Waterloo is found within the boundaries of Tax Incremental District #1. This is due to the many computers at Trek HQ. And in 2018 Trek reported a huge increase in computer usage, but the District will not benefit because as part of the state biennial budget, computer aid was frozen at 2017 levels.

District #1 Computer Aid has always been about 2/3 of the total TID #1 revenue (2018: 69%) -- much more than the actual District increase in property value, or tax increment. Computer Aid has been a top-five source of revenue for the City since 2005.

How important has this revenue source been? District #1 Computer Aid revenue received over time paid for ALL STH 19 project costs, including over \$1,000,000 in expense for electric, water & sewer improvements that otherwise would have been an expense of Waterloo Utilities.

Unless the law is changed (see email from League), when TID #1 closes -- the \$418,239 vanishes, and is no longer available to any taxing jurisdiction.

Under the previous law, after district closure, each year the \$418,239 would have been divided across all taxing jurisdictions with the City receiving roughly 40%, or \$167,000 (for use in our General Fund or other municipal priority). With the governor's signature of 2017 ACT 59, the district closure results in the aid vanishing (meaning no further state aid to any taxing jurisdiction...)

Summary.

1. In the absence of some future legislative "fix" to this loss of municipal revenue, it is in the City's financial interest to keep TID #1 open for the maximum length of time possible. TID #1 revenue may be spent on approved project plans benefiting the District.
2. The plan was last amended on July 21, 2011. We may need to amend the project plan to reset priorities as they are known to be in 2018. This is done by convening all taxing jurisdiction (Tax Incremental Finance Joint Review Board) and having them vote on an amendment.
3. The last date to incur project costs is September 15, 2020.
4. Page 3 below are district maps. District #1 is designed to be a donor district to blighted District #2. Meaning: #1 can give money to #2 and it doesn't have to be paid back.

City of Waterloo - Telecom Fitness Review

Savings Phase 1 - Move Frontier Lines to CentraNet

Frontier Account 920 478 2343

6 Lines to Centrex	Frontier Charges			New Frontier Charges		
	Qty	Rate	Total Cost	Qty	Rate	Total Cost
Centrex Business Line	6	\$16.90	\$101.40	6	\$9.50	\$57.00
Centrex Feature Package	6	\$4.00	\$24.00	6	\$4.00	\$24.00
Centrex Caller ID/Number	1	\$6.00	\$6.00	0	\$6.00	\$0.00
Federal Subscriber Line Charge	6	\$7.56	\$45.36	6	\$7.56	\$45.36
Access Rec Charge	6	\$4.58	\$27.48	6	\$4.58	\$27.48
Federal USF Recovery Charge	6	\$2.23	\$13.38	6	\$2.23	\$13.38
Police and Fire Protection Fee	6	\$0.75	\$4.50	6	\$0.75	\$4.50
911 Emergency Surcharge	6	\$0.20	\$1.20	6	\$0.20	\$1.20
Road Work Recovery Surcharge	1	\$0.95	\$0.95	1	\$0.95	\$0.95
Total Monthly Costs	Current Costs		\$224.27	New Costs		\$173.87

Monthly Savings (Current Costs minus New Costs) \$50.40

Total Annualized Costs \$2,691.24 \$2,086.44

First Year Savings from Conversion \$604.80

Frontier Account 920 478 3025

4 Lines to Centrex	Frontier Charges			New Frontier Charges		
	Qty	Rate	Total Cost	Qty	Rate	Total Cost
Centrex Business Line	4	\$16.90	\$67.60	4	\$9.50	\$38.00
Centrex Feature Package	4	\$4.00	\$16.00	4	\$4.00	\$16.00
Directory Listings	3	\$5.00	\$15.00	0	\$5.00	\$0.00
Federal Subscriber Line Charge	4	\$7.56	\$30.24	4	\$7.56	\$30.24
Access Rec Charge	4	\$4.58	\$18.32	4	\$4.58	\$18.32
Federal USF Recovery Charge	4	\$2.23	\$8.92	4	\$2.23	\$8.92
Police and Fire Protection Fee	4	\$0.75	\$3.00	4	\$0.75	\$3.00
911 Emergency Surcharge	4	\$0.20	\$0.80	4	\$0.20	\$0.80
Road Work Recovery Surcharge	1	\$0.95	\$0.95	1	\$0.95	\$0.95
Total Monthly Costs	Current Costs		\$160.83	New Costs		\$116.23

Monthly Savings (Current Costs minus New Costs) \$44.60

Total Annualized Costs \$1,929.96 \$1,394.76

First Year Savings from Conversion \$535.20

City of Waterloo - Telecom Fitness Review

Savings Phase 1 - Move Frontier Lines to CentraNet

Frontier Account 920 478 3090

Remove Features & 1 Line to Centrex	Frontier Charges			New Frontier Charges		
	Qty	Rate	Total Cost	Qty	Rate	Total Cost
Centrex Business Line	1	\$16.90	\$16.90	1	\$9.50	\$9.50
Centrex Feature Package	1	\$4.00	\$4.00	1	\$4.00	\$4.00
Non-Pub Fee	1	\$5.95	\$5.95	0	\$5.95	\$0.00
Centrex Caller ID/Number	1	\$12.50	\$12.50	0	\$12.50	\$0.00
Federal Subscriber Line Charge	1	\$7.56	\$7.56	1	\$7.56	\$7.56
Access Rec Charge	1	\$4.58	\$4.58	1	\$4.58	\$4.58
Federal USF Recovery Charge	1	\$2.23	\$2.23	1	\$2.23	\$2.23
Police and Fire Protection Fee	1	\$0.75	\$0.75	1	\$0.75	\$0.75
911 Emergency Surcharge	1	\$0.20	\$0.20	1	\$0.20	\$0.20
Road Work Recovery Surcharge	1	\$0.95	\$0.95	1	\$0.95	\$0.95
Total Monthly Costs		Current Costs	\$55.62		New Costs	\$29.77

Monthly Savings (Current Costs minus New Costs)

\$25.85

Total Annualized Costs

\$667.44

\$357.24

First Year Savings from Conversion

\$310.20

Frontier Account 920 478 3344

2 Lines to Centrex	Frontier Charges			New Frontier Charges		
	Qty	Rate	Total Cost	Qty	Rate	Total Cost
Centrex Business Line	2	\$16.90	\$33.80	2	\$9.50	\$19.00
Centrex Feature Package	2	\$4.00	\$8.00	2	\$4.00	\$8.00
Directory Listings	1	\$5.00	\$5.00	0	\$5.00	\$0.00
Federal Subscriber Line Charge	2	\$7.55	\$15.10	2	\$7.55	\$15.10
Access Rec Charge	2	\$4.58	\$9.16	2	\$4.58	\$9.16
Federal USF Recovery Charge	2	\$2.23	\$4.46	2	\$2.23	\$4.46
Police and Fire Protection Fee	2	\$0.75	\$1.50	2	\$0.75	\$1.50
911 Emergency Surcharge	2	\$0.20	\$0.40	2	\$0.20	\$0.40
Road Work Recovery Surcharge	1	\$0.95	\$0.95	1	\$0.95	\$0.95
Total Monthly Costs		Current Costs	\$78.37		New Costs	\$58.57

Monthly Savings (Current Costs minus New Costs)

\$19.80

Total Annualized Costs

\$940.44

\$702.84

First Year Savings from Conversion

\$237.60

City of Waterloo - Telecom Fitness Review

Savings Phase 1 - Move Frontier Lines to CentraNet

Frontier Account 920 478 9797

1 Line to Centrex	Current Frontier Charges			New Frontier Charges		
	Qty	Rate	Total Cost	Qty	Rate	Total Cost
Centrex Business Line	1	\$16.90	\$16.90	1	\$9.50	\$9.50
Centrex Feature Package	1	\$4.00	\$4.00	1	\$4.00	\$4.00
Federal Subscriber Line Charge	1	\$7.55	\$7.55	1	\$7.55	\$7.55
Access Rec Charge	1	\$4.58	\$4.58	1	\$4.58	\$4.58
Federal USF Recovery Charge	1	\$2.23	\$2.23	1	\$2.23	\$2.23
Road Work Recovery Surcharges	1	\$0.95	\$0.95	1	\$0.95	\$0.95
Police and Fire Protection Fee	1	\$0.75	\$0.75	1	\$0.75	\$0.75
911 Emergency Surcharge	1	\$0.20	\$0.20	1	\$0.20	\$0.20
Total Monthly Costs		Current Costs	\$37.16	New Costs		\$29.76

Monthly Savings (Current Costs minus New Costs) \$7.40

Total Annualized Costs \$445.92 \$357.12

First Year Savings from Conversion \$88.80

Executive Summary - Move all Lines to Centrex

Move Lines to Centrex

First Year Savings for Account 920 478 2343 \$604.80

First Year Savings for Account 920 478 3025 \$535.20

First Year Savings for Account 920 478 3090 \$310.20

First Year Savings for Account 920 478 3344 \$237.60

First Year Savings for Account 920 478 9797 \$88.80

Combined Total for All Locations \$1,776.60

Telecom Fitness Fee Calculation Summary

Total Savings for Changes (from above) \$1,776.60

Telecom Fitness Fee to Move Lines to Centrex \$888.30

Payment in Lieu of Taxes (PILOT)

Municipally owned water and electric utilities in Wisconsin are subject to a payment in lieu of local general property taxes (PILOT) to the City. This calculation is based on the utilities assets and the annual state and local tax rates and assessment ratio. In contrast, investor owned utilities pay a gross receipts tax of 3.19% to the State of Wisconsin.

Background

In 1985, property taxes for investor owned utilities were replaced with gross receipts tax. Investor owned utilities pay 3.19% on their revenues, not property taxes on their assets. However, municipal utilities continued to pay PILOT on their assets. With this change, the municipal utilities were paying more in PILOT than the investor owned utilities were paying in gross receipts tax.

In 1994, the Public Service Commission of Wisconsin (PSC) opened a docket to consider changes to the calculation for PILOT (PSC 109) "in order to return the tax equivalent to its original purpose of achieving rough equivalence with privately-owned utilities". In 1995 legislature established a minimum for PILOT which is the amount levied in 1994, payable in 1995. For the Waterloo water department that minimum is \$28,330 and for the electric department \$49,526. In the past, both departments have always paid the maximum PILOT allowed by the PSC. 2017 PILOT payable in 2018 was Water \$107,429 and Electric \$129,009.

On January 25, 2012 the PSC opened an investigation into the PILOT calculation. That study revealed that in 2011 approximately 23% of municipal water utilities had a lower PILOT authorized by their City Council. The PSC decided to not change PSC 109 but to continue to let utilities and cities negotiate only enforcing a maximum and minimum PILOT.

Driving Factors

As we continue to replace our aged infrastructure our PILOT will continue to increase along with costs for replacing the infrastructure. With little to no growth to offset the increased expenses it become very difficult to keep our rates low and replace aged infrastructure. The utility will also have added costs (additional employee, vector truck, sewer infrastructure) for assuming responsibilities for the sewer collection system from the City in 2019. The WWTP, due to new DNR phosphorus regulations, will have added chemical costs and will be having a plant upgrade in 2022 of 2.5 million. The water department also has the added costs to replace the utility side of lead services along with the lead testing being enforced by the DNR.

Current PILOT Calculation Method

Gross Plant Value (includes all assets, calculated using the original cost)
Uses annual state and local tax rates and assessment ratio

$1,000,000 \text{ in plant additions} \times \text{assessment ratio } .949515^* = 949,515 \times \text{tax rate } .0199049^* = 18,900$
*12/2017 tax rates

Recommendation

We recognize that PILOT is a significant source of funds for the City; therefore, we propose the PILOT be reduced to a level that is sustainable for both entities. We are recommending that all future PILOT calculations remain at the 2017 level of total operating revenues (PSC W-01, E-01). For water that

would be 16.83% and electric 3.32%. In the PSC 2012 investigation Water utilities paid an average 14.3% of gross revenues in PILOT and Electric utilities 2.6%. If the proposed calculation is approved, the Utility would be paying more than the 2012 average.

PILOT Payment History							
ELECTRIC							
	Property	Increase	%	Total	% of	3.32% of	
YEAR	Tax Equivalent	(Decrease)	Change	Revenues	Revenues	Total Revenues	Savings
2008	105,803			3,796,659	2.79%		
2009	119,873	14,070	13.30%	3,135,948	3.82%		
2010	122,248	2,375	1.98%	4,258,964	2.87%		
2011	134,606	12,358	10.11%	4,431,662	3.04%		
2012	133,094	(1,512)	-1.12%	4,334,496	3.07%		
2013	148,310	15,216	11.43%	4,364,759	3.40%		
2014	133,668	(14,642)	-9.87%	4,432,938	3.02%		
2015	129,941	(3,727)	-2.79%	4,337,317	3.00%		
2016	123,080	(6,861)	-5.28%	4,089,010	3.01%		
2017	129,009	5,929	4.82%	3,886,169	3.32%		
Estimated 2018	135,858	6,849	5.31%	4,041,224	3.36%	134,156	1,702
Estimated 2019	143,418	7,560	5.56%	4,041,224	3.55%	134,156	9,262
WATER							
	Property	Increase	%	Total	% of	16.83% of	
YEAR	Tax Equivalent	(Decrease)	Change	Revenues	Revenues	Total Revenues	Savings
2008	77,067			409,076	18.84%		
2009	95,253	18,186	23.60%	403,413	23.61%		
2010	99,179	3,926	4.12%	471,083	21.05%		
2011	112,656	13,477	13.59%	504,046	22.35%		
2012	111,056	(1,600)	-1.42%	519,998	21.36%		
2013	121,917	10,861	9.78%	571,759	21.32%		
2014	114,076	(7,841)	-6.43%	615,514	18.53%		
2015	112,915	(1,161)	-1.02%	643,039	17.56%		
2016	105,778	(7,137)	-6.32%	640,143	16.52%		
2017	107,429	1,651	1.56%	638,306	16.83%		
Estimated 2018	127,523	20,094	18.70%	646,200	19.73%	108,758	18,765
Estimated 2019	134,894	7,371	5.78%	646,200	20.87%	108,758	26,136
*information pulled from PSC annual reports							

From: mhansen@waterloowi.us
Sent: Saturday, June 09, 2018 3:47 PM
To: 'Jeni Quimby'
Cc: 'mkawula@waterloowi.us'; Barry Sorenson (bsorenson@wppienergy.org); Joy Bisco
Subject: Levy Limits video and Utility Commission PILOT recommendations
Attachments: State Highway 19 03-19-2018.pdf; PILOT Historic Figures.pdf

Jeni,
Thank you for your feedback below and for [viewing the video](#). I'm glad you viewed it in its entirety! Yes, the net new construction formula is quite a fiscal constraint.

On levy limit constraints. PLEASE NOTE: Specific to Waterloo, current law does allow municipalities to raise the property tax levy amounts for debt service. In effect, we CAN borrow ourselves into a bottomless pit of debt AND keep raising taxes to cover a growing amount of debt. In 2018 we did not do this. The Waterloo municipal levy only went up equal to the net new construction portion of the formula. The general direction from Mayor Thompson has been to lower principle and interest payments tied to the property tax levy. We are engaged in a "save-up and pay" funding process rather than a "go into debt paying growing amounts of interest & principle over time" process. State mandated levy limits do allow municipalities to bury themselves in debt. As a matter of policy, we have chosen to take a different path.

See the link for more on Levy Limits from the League of WI Municipalities → <https://www.lwm-info.org/823/Levy-Limits-Explanation-and-Strategies>

*** Elected officials -- Let me know if there are *other* general areas/topics you value. I can locate and provide summary and detailed information on your topics too.

Below I'm shifting to PILOT, a topic taken up by the Utility Commissioners. I followed up directly with you because you provided feedback below. But I am also sharing this important email thread with the Mayor, the City Council, the Community Development Authority and Utility Commissioners.

ON UTILITY COMMISSION ACTION RELATING TO PAYMENT IN LIEU OF TAXES (PILOT)

1. With municipal revenue front of mind, I'm shifting to Payments In Lieu of Taxes, or PILOT.

- Waterloo Utility Commissioners are recommending altering the PILOT formula. This action DOES financially benefits Waterloo Utilities, but adversely affects Waterloo municipal government. I'm trying to get a meeting with Barry and Joy to gather more details. To date staff communication has been minimal, we've all been busy.
- What is the PILOT?
 - It is an annual payment from a public utility to the municipality in which it operates. It has existed in Wisconsin since 1918. A public utility is tax exempt. Wis. Stat. § 66.06(11)(c) says "...the income from 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..." [my emphasis added]
 - **In the 2018 municipal budget, the PILOT amounts to about 20% of all General Fund revenue.**
 - Its purpose is to generate tax equivalent amounts of revenue -- for a municipality -- that a utility would pay if the *public* utility were a *private* utility. A payment in lieu of the payment of property taxes. For more detail on this see [2013 PSC PILOT study](#).
 - The PSC driven formula used for decades and decades is: value of plant multiplied by the tax rate. [over simplified, but appropriate description...]

- Where “plant” is the value a utility’s improvements to land, analogous to “assessed property value” for those paying property taxes.
 - Waterloo PILOT amounts over time are attached. Mike produced a summary of 2008-2017 PILOT revenue. PILOT revenue is lower now than it was in 2011; and it has trended down since 2013. Because of the 2018 \$1,018,149 subsidy and future contemplated Waterloo Utility projects adding new plant to the water and electric systems, we anticipate the PILOT going up over time.
- What are the Commissioners recommending?
 - Two months ago, the minutes indicate Commissioners voted to freeze the PILOT for seven years. At its last meeting, I was told a recommendation was made to modify the formula -- basing it on *annual Utility revenue*, rather than the *annual value of Utility plant multiplied by tax rate*. I am disappointed staff consultation has not occurred prior to these meetings. Absent details, I interpret this second proposal to mean something like, shifting it from covering what would be the property tax equivalent to something like what would be an income tax equivalent of Waterloo Utilities.
 - The devil is in the details. Both Commission concepts likely eliminate PILOT growth over time, and because the value of utility plant depreciates over time, both could reduce the PILOT over time.

2. Generally, I view both Commission concepts as bad for taxpayers AND bad for ratepayers.

- Carla Gogin, of Baker-Tilly, had given unsolicited advice – “...this is a very bad idea.”
- Taxpayers have already done their part to generously subsidize Waterloo Utilities. For the STH 19 project (through TID #1) taxpayers paid for the Waterloo Utility portion of water system expenses and sanitary sewer expenses – a huge subsidy. The payout benefiting Waterloo Utility for -- just the water system portion -- was \$1,018,149. Those are dollars that could have gone to other municipal improvements and public investments. See State Highway 19 PDF attached.
- State mandated property tax levy limits are already a major constraint. Changing the PILOT formula -- for the purpose of solely benefitting Waterloo Utilities -- amounts to the municipality voluntarily further limiting General Fund revenue options.
- If a form of austerity is necessary -- to benefit the Utility -- Waterloo Utilities should be take a leadership role on austerity.
 - Coordinate with the municipality to reduce the overall cost of government operations.
 - Payroll & accounting consolidation; space consolidation; staff consolidation.
 - Elimination of redundant equipment purchases (vehicles, mowers, power washers and other equipment used by multiple departments).
 - Cross-train staff to serve as daytime EMS/Fire staff as needed.
 - Generate new revenue sources by
 - Leasing out unused and underutilized space at 575 Commercial Avenue.
 - Aggressively pursuing water tower lease revenue from cell phone providers.
 - Fund Waterloo economic development business recruitment efforts to grow its customer base.
 - Use smart metering data to tie service charges closely to use.
- A coordinated approach based on solid plans should drive actions. My sense is the Utility feels it needs to add a sizable amount of plant to its operations in the next 5-10 years; it can’t refinance its sizable debt; and therefore wants to shrink PILOT.
 - Are contemplated plant additions part of a coordinated municipality-wide plan?
 - What growth estimates justifies added plant?
 - Does a PILOT adjustment address the root causes of Waterloo Utility financial concerns?

3. It is very important to note: we cannot ignore, minimize or discount the challenges Waterloo Utilities faces. Here is a quick set of power point slides on challenges faced by public utilities, including Waterloo Utilities...

4. For many, many reasons public utilities are great things. Ask Watertown Mayor John David, he wishes his City had a public utility. If all the answers were easy, we would already have them in place. The solution lies in responsible, sustainable growth. In the end, we are all on the same team, all in the same boat.

**City of Waterloo
Analysis of STH 19
For the Year Ended**

12/31/2018

TID #1 payment for Waterloo Utility 2018 STH 19 Water System Improvements completed as part of this project.

TOTAL = \$1,018,149.17
An amount *ratepayers* would otherwise have had to pay.

Summary of Fixed Assets w/ Allocated Costs:

		Fixed Assets					
		San Sewer	Watermain	Street Light	Muny Road	Roadway	Total Fixed Assets
1,561,619.02	Total Construction	598,188.65	821,425.19	74,060.87	30,326.92	37,617.39	1,561,619.02
	Allocated Costs:						
22,575.32	Labor1	8,647.63	11,874.81	1,070.65	438.42	543.81	22,575.32
19,385.23	Labor2	7,425.64	10,196.80	919.36	376.46	466.97	19,385.23
272,439.12	Engineering	104,359.63	143,305.35	12,920.62	5,290.82	6,562.71	272,439.13
51,015.00	Asbestos	19,541.64	26,834.33	2,419.42	990.72	1,228.89	51,015.00
8,579.12	Signs	3,286.79	4,512.69	406.87	166.61	206.66	8,579.12
	Total Allocated	143,260.83	196,723.98	17,736.92	7,263.03	9,009.04	373,993.80
	Total Fixed Asset	741,449.48	1,018,149.17	91,797.79	37,589.95	46,626.43	1,935,612.82
							1,935,612.82

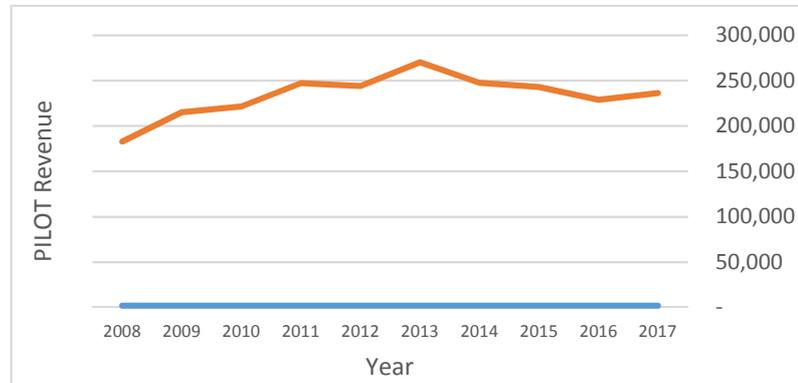
City of Waterloo

Annual PILOT

2008-2017

Total PILOT (Electric and Water)

Year	PILOT
2017	236,438
2016	228,858
2015	242,856
2014	247,744
2013	270,227
2012	244,150
2011	247,261
2010	221,427
2009	215,126
2008	182,870



Water

Year	Taxable Assets	Assessment Ratio	Assessed Value	Net Local & School Rate	PILOT
2017	5,684,055	0.9495150	5,397,095	19.904924	107,429
2016	5,614,539	0.9623190	5,402,978	19.577698	105,778
2015	5,624,335	0.9917520	5,577,945	20.243162	112,915
2014	5,509,043	1.0449600	5,756,730	19.816108	114,076
2013	5,537,107	1.1036310	6,110,923	19.950650	121,917
2012	5,478,004	0.9866100	5,404,654	20.548249	111,056
2011	5,443,271	0.9980950	5,432,896	20.735861	112,656
2010	5,224,240	0.9730780	5,083,593	19.509569	99,179
2009	5,007,806	0.9677340	4,846,224	19.655048	95,253
2008	4,488,361	0.9521230	4,273,472	18.033803	77,067

Electric

Year	Taxable Assets	Assessment Ratio	Assessed Value	Net Local & School Rate	PILOT
2017	6,825,844	0.9495150	6,481,241	19.904924	129,009
2016	6,532,917	0.9623190	6,286,750	19.577698	123,080
2015	6,472,365	0.9917520	6,418,981	20.243162	129,941
2014	6,455,217	1.0449600	6,745,444	19.816108	133,668
2013	6,735,814	1.1036310	7,433,853	19.950650	148,310
2012	6,565,052	0.9866100	6,477,146	20.548249	133,094
2011	6,503,828	0.9980950	6,491,438	20.735861	134,605
2010	6,439,413	0.9730780	6,266,051	19.509569	122,248
2009	6,302,166	0.9677340	6,098,820	19.655048	119,873
2008	6,161,941	0.9521230	5,866,926	18.033803	105,803