

RESOLUTION R-42-12

Resolution for Preservation of Municipal Utility PILOTs

INTRODUCED BY MAYOR MERKES

Whereas, state law allows municipalities to receive payment in lieu of taxes (PILOTs) from municipal water and electric utilities, and PILOTs to municipalities have been authorized 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 most 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 acknowledged in the PSC staff report, including:

- 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.

Whereas, the League of Wisconsin Municipalities adopted a resolution at their 2012 Annual Conference opposes any efforts by the PSC, the state Legislature, and the Governor to eliminate or limit PILOTs from municipal water and electric utilities.

Now, Therefore, Be It Resolved, that the City of Menasha and Menasha Utilities opposes any efforts by the PSC, the state Legislature, and the Governor to change current statutes or rules regarding PILOTs from municipal water and electric utilities.

Passed and approved this day of , 2012.

Donald Merkes, Mayor

Mark Allwardt, President of W&L Commission