

I understand that you gentlemen are on the committee studying potential changes to the TIF law. I would like to explain our recent experience with the closure of one of our TIF districts.

I've had recent correspondence with the Department of Revenue in regards to the levy limit adjustment the City of Oconomowoc will receive for the 2015 budget year. The City terminated TIF #3 (Pabst Farms TIF District) earlier this year. This was a large TIF district with \$180,000,000 in incremental value generated by the district over its' life.

The levy limit law allows an increase in our levy limit for terminating TIF districts. This adjustment is commonly described as 50% of the TIF district increment. However, due to a technicality in the law on how it is calculated, the City will only be receiving 41% of the prior year's TIF increment as an adjustment to our levy (\$420,000 vs. \$510,000).

The reduction to 41% is due to 2 different factors:

1. The levy limit adjustment is calculated as a percentage and applied to a municipality's adjusted base levy as determined on the municipal levy limit worksheet. This adjusted base levy excludes prior year adjustments for debt. This is in contrast to applying the percentage to a community's total levy from the prior year.
2. The levy limit adjustment is calculated using a community's total equalized value which is different than how the TID increment is calculated when a TIF district is active. An active TIF district uses TID Out equalized value.

This second point I believe is a potential flaw in how the law was written. I feel the value of the terminated TIF levy limit adjustment is diluted by using the community's total EV. When the TIF is active the value of all active TIF districts is excluded in calculating the TID tax rate that's used to determine the TID increment. In contrast, the levy limit law is using our total value which in effect reduces the tax rate applied to calculate the TID increment.

In addition for communities that have multiple TIF districts, this difference in calculation could be significant for them because even as they terminate one district, the value of the other active districts in their community are a part of the TID IN EV which will further dilute the value of their levy limit adjustment.

Sometimes it's easiest to demonstrate by seeing an example. I've attached a spreadsheet that outlines the calculations of the TIF levy limit adjustment under the current law in contrast to what it would be using the same EV. This is shown for 2 sample cities – City A with only the terminating TIF district and City B with another active TIF district.

I believe the DOR calculated our levy limit adjustment according to the letter of the law (S 66.0602 (3) (dm)). However, I don't feel it's meeting the intention and I believe it could have significant impacts on other communities in Wisconsin as they close their TIF districts.

Perhaps as the TIF Committee studies and recommends changes, they may consider language to clarify the law so that the levy limit adjustment calculation meets the spirit or intention of the legislature and provide communities with the full 50% adjustment for TIF terminations. I'd be interested in your thoughts and if you would like to discuss it further I'd be happy to.

Kindest Regards,

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TIF District Termination Levy Limit Adjustment Analysis

	City A	City B
TID #1 (Terminating) Incremental Value	180,000,000	180,000,000
TID #2 (Remaining Active) Incremental Value	-	50,000,000
Subtotal TID Incremental Value	180,000,000	230,000,000
Equalized Value - TID Out	1,700,000,000	1,700,000,000
Total Equalized Value	1,880,000,000	1,930,000,000
City Tax Levy - Before TIF Increment	9,200,000	9,200,000
TID #1 (Terminating) Increment Revenue	974,118	974,118
TID #2 Increment Revenue	-	238,342
Total TID Increment Revenue	974,118	1,212,460

City A - has only 1 TIF district which is terminating.

City B - has 2 TIF districts - TID #1 is terminating and TID #2 is still active

Levy Limit Adjustment Calculation

<i>As Law Currently Written</i>		
Terminating TID Increment Value	180,000,000	180,000,000
Total Equalized Value	1,880,000,000	1,930,000,000
Adjustment %	10%	9%
City Tax Levy - Before TIF Adjustment	9,200,000	9,200,000
Levy Limit Adjustment (50%)	440,426	429,016
% of PY TID Increment Revenue	45%	44%

The levy limit law currently uses total EV in the adjustment calculation - this dilutes the levy limit adjustment.

The levy limit adjustment is diluted further when the community has other active TIF districts.

<i>As Law Intended</i>		
Terminating TID Increment Value	180,000,000	180,000,000
Equalized Value - TID Out	1,700,000,000	1,700,000,000
Adjustment %	11%	11%
City Tax Levy - Before TIF Adjustment	9,200,000	9,200,000
Levy Limit Adjustment (50%)	487,059	487,059
% of PY TID Increment Revenue	50%	50%

City A loses \$46,000 in levy limit adjustment as law currently written.

City B who has other active TIFs loses \$53,000 in levy limit adjustment as law