



CITY OF MERRILL
COMMITTEE OF THE WHOLE
AGENDA • TUESDAY JANUARY 22, 2019

Regular Meeting

City Hall Council Chambers

6:00 PM

- I. Call to Order
- II. Pledge of Allegiance
- III. Public Comment Period
- IV. Agenda Items:
 - 1. Presentation by Ehlers & Associates on taxation and Tax Increment Districts (TIDs), and how TIDs impact the budget.
 - 2. Questions and Answer Period.
 - 3. Review and discussion of Finance Director Unertl's proposed future taxation information formats.
- V. Adjournment



EHLERS
LEADERS IN PUBLIC FINANCE

City of Merrill, WI Common Council

Tax Increment Financing and Fiscal Impacts

January 22, 2019



Discussion Topics

- Establishing the tax levy and tax rate
- How is tax increment arrived at
- Fiscal considerations and impacts of tax increment districts under Wisconsin levy limitations



Establishing Tax Levy and Tax Rate

- The City's levy is established through the annual budgeting process (solve for the difference)

Revenue	Amount
Property Tax	?
Building Permits	\$100,000
Licenses and Fees	\$50,000
State Shared Revenues	\$200,000
Total – Without Property Tax	\$350,000

\$1,550,000

Expenses	Amount
General Government	\$350,000
Planning and Building	\$200,000
Public Works	\$800,000
Public Safety	\$550,000
Total	\$1,900,000

- Process is somewhat complicated under state-imposed levy limitations
- When levy is spread across the general (TID out) tax base, a tax rate is arrived at

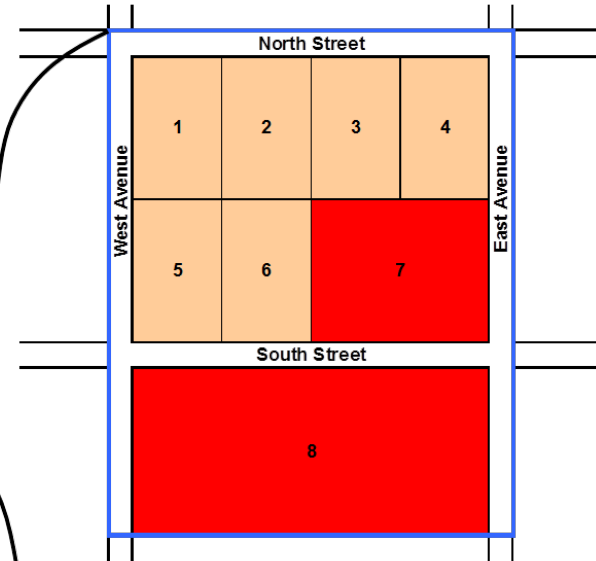
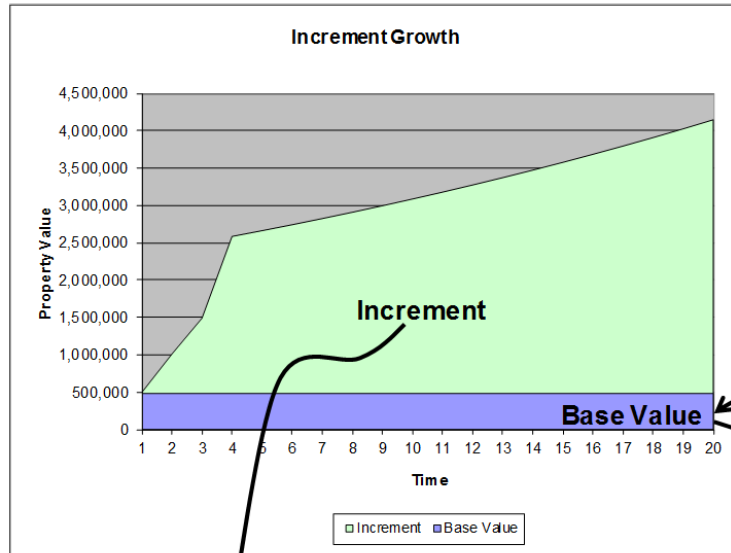


Mechanics of Tax Increment

- Start at City budget process where general fund levy is set
 - Council sets the levy to support the general fund budget, including debt service payable from the levy
- This levy is spread across the “general” tax base, which does not include value increment of the TIDs
 - Value increment = growth in value over the base value established at time of creation
 - Tax revenue (increment) from the TIDs is not available for general City operations
- Generally applicable tax rate = Tax levy / TID Out Assessed Value
 - This % is usually multiplied by \$1,000 to express how many dollars of taxes per \$1,000 of assessed value
 - City of Merrill pay 2019 tax rate = \$15.658 per \$1,000 of value
- Tax rates for all taxing jurisdictions are summed to arrive at total tax rate
 - Total tax rate X Value Increment = Tax Increment Revenue



Mechanics of Tax Increment



	Mill Rate
TID	20.00
Total	20.00



The TID receives taxes on the increment value at the combined rate of all taxing entities

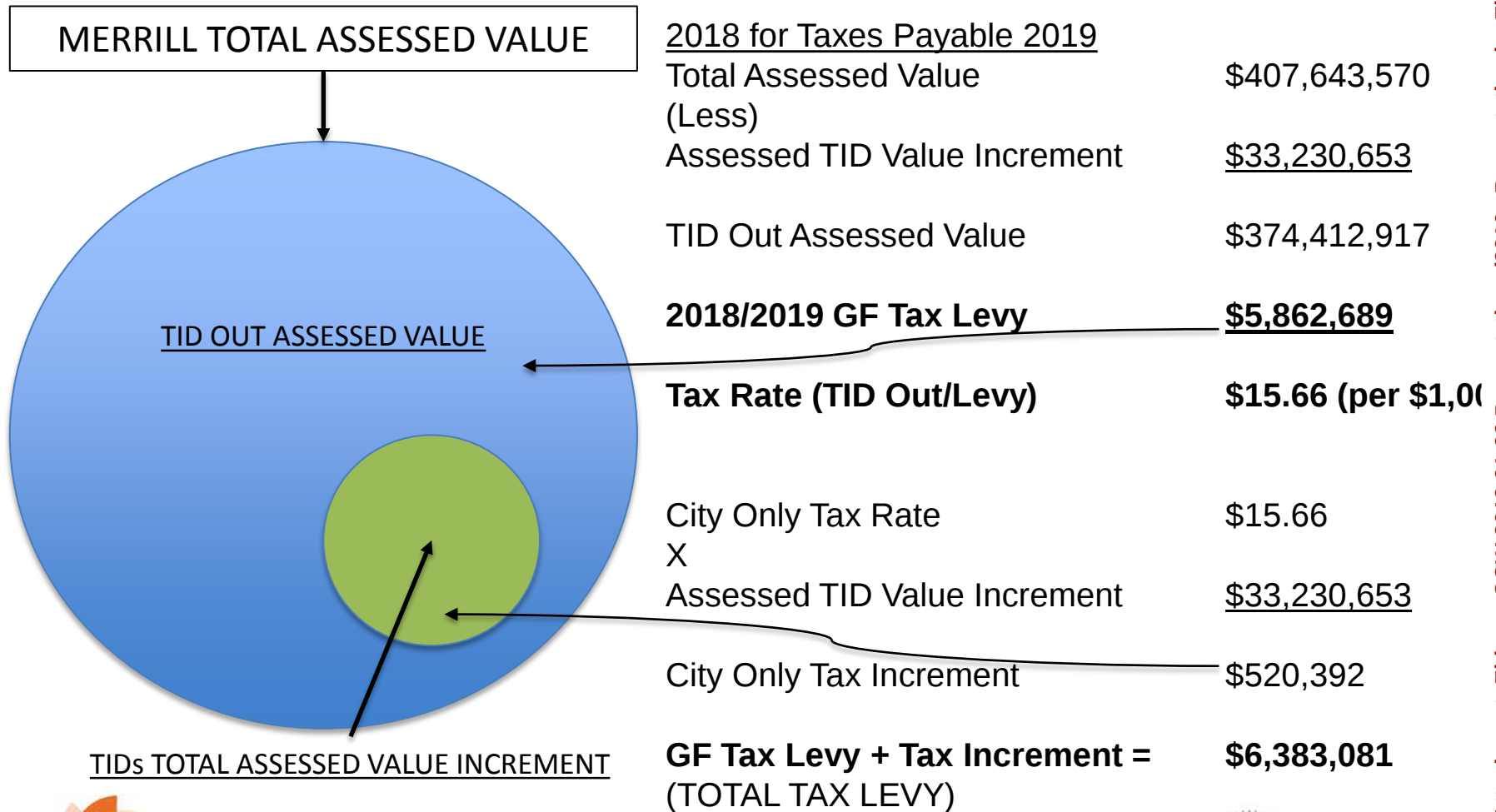
	Mill Rate
Local	6.50
County	4.00
School	7.50
VTAE	2.00
Total	20.00



All taxing jurisdictions continue to receive their share of the tax levy on the base value of the TID



Mechanics of Tax Increment



Mechanics of Tax Increment - Summary

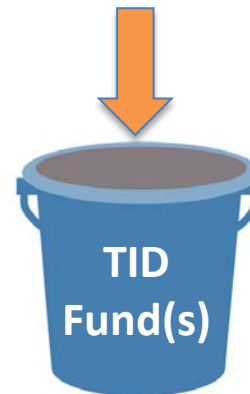
- All property tax payers pay the same rate, regardless of whether the property is in or out of a TID
- It's where that tax revenue goes:

TID OUT



Supports GF expenditures
City Levy Only

TIDs



TIF-eligible expenditures
All Jurisdiction's Levies



Fiscal Impact of TIDs

- City's maximum allowable levy is limited under state-imposed restrictions
 - Can generally only be increased:
 1. An unlimited amount for general obligation debt
 2. By % net new construction
- By their nature, TIDs are a vehicle to promote net new construction (i.e. growth in the tax base)
 - However, captured TID value increment is not tax base the City levy's against to support the GF
- If growth in TIDs produces a % net new construction # that is greater than % growth in TID out tax base and the Council adopts the maximum allowable levy, the City's tax rate must increase
 - *Not considering any changes in amount levied for debt service*



Fiscal Impact of TIDs

- Example:
 - 2017 Levy = \$5,000,000
 - 2017 TID Out Value = \$400,000,000
 - 2017 Tax Rate = **\$12.50** per \$1,000
 - 2018 Net New Construction % = 3.00% (all from TIDs)
 - 2018 Allowable Levy = \$5,150,000 (prior year + 3%)
 - 2018 TID Out Value = \$400,000,000 (no growth)
 - 2018 Tax Rate = **\$12.88** per \$1,000 (3.04% increase)
- Unless the growth in TID out tax base = or > % net new construction any increase in the tax levy will increase the tax rate





City of Merrill

Kathy Unertl, Finance Director

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e-mail: Kathy.Unertl@ci.merrill.wi.us

Date: January 15th, 2019

To: Mayor Derek Woellner
Alderpersons

From: Kathy Unertl, Finance Director

RE: Additional Information on Tax Levy vs. Tax Rate –
Augmenting the public record

In review of the 2019 budget information, I have been:

- Using incomplete information (i.e. column heading of “City Tax Rate without TID” is inadequate). Further, I needed to better understand the difference between Assessed Valuation (TID In) and Estimated TID Out Assessed Valuation. See changes from 2013 to 2018 on following spreadsheet.
- Creating potential confusion by attempting to include both Tax Levy and Tax Rate information on one summary page.

The percentage that appears on the tax bills is the percentage change in **City Tax Rate** between the proposed budget tax year and the previous year.

- Due to spreadsheet formula errors, City 2019 tax levy increase actually was 4.36% instead of the target of 3.00% (after Mayor Woellner’s veto) with additional \$76,060 into debt service.

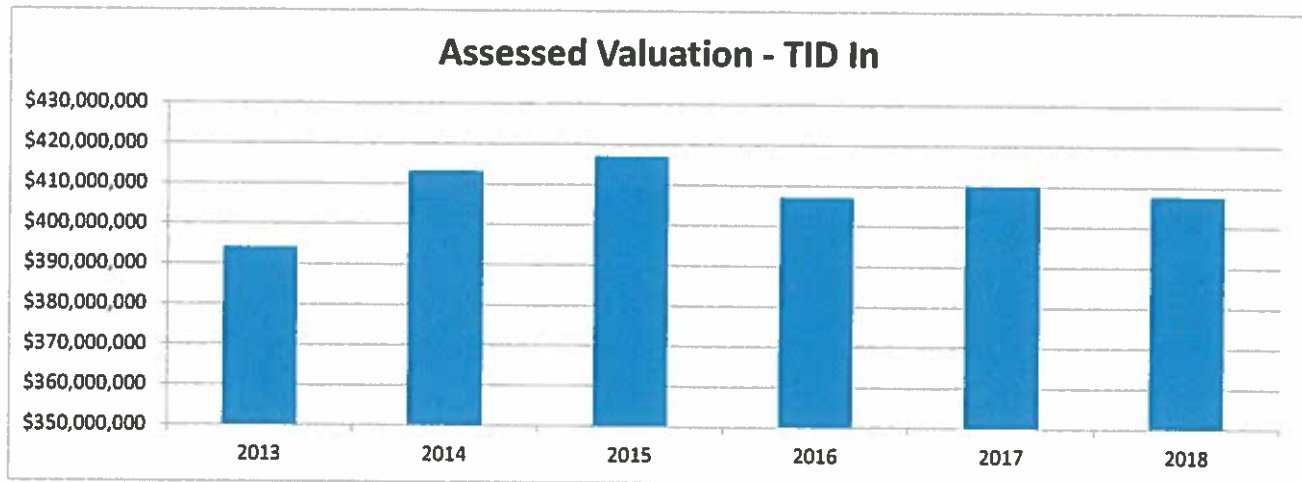
Attached are three proposed spreadsheets that I would appreciate Common Council input on:

- Tax Levy Summary - \$ Amounts, Change in \$ amounts, and Change %
- Tax Rate – Estimated TID Out Assessment and City Tax Rate
- Tax Rate – TID In and City Tax Rate

I look forward to additional information and comments from Brian Reilly (Ehlers & Associates) at the upcoming Committee of Whole meeting on Tuesday, January 22nd at 5:30 p.m.

Attachment: Additional Info - Tax Levy vs Tax Rate (3918 : Finance Director proposed future taxation information formats)

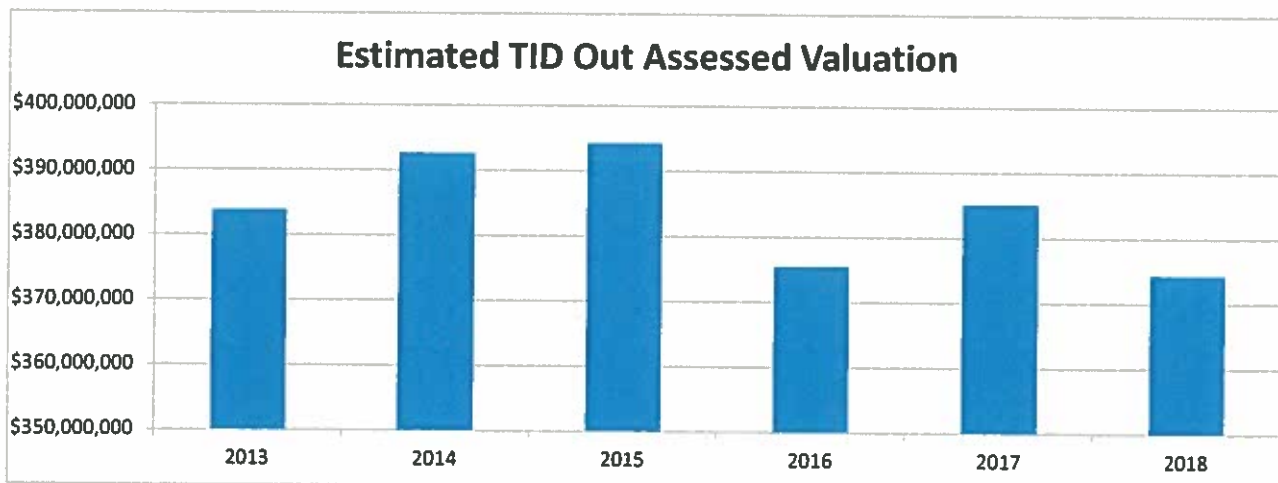
City of Merrill - Assessed Valuations



Assessed Valuation (TID In):

		Difference	
2013	\$394,235,310	\$4,297,910	
2014	\$413,207,200	\$18,971,890	4.81%
2015	\$417,048,310	\$3,841,110	0.93%
2016	\$407,102,520	(\$9,945,790)	-2.38% Reassessment as of 1/1/2016
2017	\$410,015,680	\$2,913,160	0.72%
2018	\$407,643,570	(\$2,372,110)	-0.58% State eliminated Code 2 Personal Property

Source: Wisconsin Department of Revenue



Assessed Valuation (TID Out):

		Difference	
2013	\$383,894,062	(\$1,205,338)	
2014	\$392,736,426	\$8,842,364	2.30%
2015	\$394,343,560	\$1,607,134	0.41%
2016	\$375,555,273	(\$18,788,287)	-4.76% Reassessment as of 1/1/2016
2017	\$385,208,271	\$9,652,998	2.57%
2018	\$374,412,917	(\$10,795,354)	-2.80% State eliminated Code 2 Personal Property

Source: Estimate calculated by Ehlers & Associates

Assessed Valuation

Revised 11/2018

Packet Pg. 12

City of Merrill - Tax Levy Summary

- This is not the % shown on tax bills.

Proposed Revised Format - 1/14/2019

Levy Year	Budget Year	Operations/ Capital	Debt Service	City Tax Levy	Change in Tax Levy - \$ amounts			Change in Tax Levy - %		
					Operations/ Capital	Debt Service	Total Levy Change	Operations/ Capital	Debt Service	Total Levy Change
2013	2014*	\$3,955,829	\$921,619	\$4,877,448	\$0	\$0	\$0	0.00%	0.00%	0.00%
2014	2015	\$4,087,150	\$1,222,234	\$5,309,384	\$131,321	\$300,615	\$431,936	3.32%	32.62%	8.86%
2015	2016	\$4,122,344	\$1,222,234	\$5,344,578	\$35,194	\$0	\$35,194	0.86%	0.00%	0.66%
2016	2017	\$4,135,983	\$1,240,403	\$5,376,386	\$13,639	\$18,169	\$31,808	0.33%	1.49%	0.60%
2017	2018	\$4,216,629	\$1,401,207	\$5,617,836	\$80,646	\$160,804	\$241,450	1.95%	12.96%	4.49%
2018	2019	\$4,262,173	\$1,600,516	\$5,862,689	\$45,544	\$199,309	\$244,853 **	1.08%	14.22%	4.36% **

* For 2014 budget - General Fund Offset of \$408,018 for increased Debt Service for new fire station.

** For 2019 budget - Finance Director had calculation issues with final spreadsheet. Additional \$76,050 to debt service over the 3.0% tax levy target amount of \$168,803.

City of Merrill - Tax Rate Summary

2018 Tax Rate - For 2019 Budget - Estimated TID Out

Format for estimated tax rate change

Proposed Revised Format - 1/14/2019

Estimated TID Out Assessed - following Ehlers & Associates formula - 2018:

	2018
Equalized Valuation	\$420,695,800
Equalized TID	\$34,294,400
TID Out EV	<u>\$386,401,400</u>

TID = Tax Increment Districts
EV = Equalized Valuation

0.968974017 Assessment Ratio - Statement of Assessment - Final Equated (Available typically about November 1st)

\$374,412,917 Estimated TID Out Assessed Value
which is TID Out EV * Assessment Ratio

Levy Year	Budget Year	City Tax Levy	Total Levy Change	Estimated Assessed TID Out	Change Est. Assessed TID Out
2013	2014*	\$4,877,448	\$0	\$383,894,062	(\$1,205,338)
2014	2015	\$5,309,384	\$431,936	\$392,736,426	\$8,842,364
2015	2016	\$5,344,578	\$35,194	\$394,343,560	\$1,607,134
2016	2017	\$5,376,386	\$31,808	\$375,555,273	(\$18,788,287)
2017	2018	\$5,617,836	\$241,450	\$385,208,271	\$9,652,998
2018	2019	\$5,862,689	\$244,853	\$374,412,917	(\$10,795,354)

Levy Year	City Tax Rate	Change in Tax Rate	% Tax Rate Change	Per \$75,000 Assessment	Difference Per \$75,000
2013	\$12.705	\$0.035	0.28%	\$953	\$3
2014	\$13.519	\$0.814	6.40%	\$1,014	\$61
2015	\$13.553	\$0.034	0.25%	\$1,016	\$3
2016	\$14.316	\$0.763	5.63%	\$1,074	\$57
2017	\$14.584	\$0.268	1.87%	\$1,094	\$20
2018	\$15.658	\$1.074	7.37%	\$1,174	\$81

* For 2014 budget - General Fund Offset of \$408,018 for increased Debt Service for new fire station.

City of Merrill revaluation as of 1/1/2016 was completed in Fall 2016 - first revaluation since 2000.

Average % Tax Rate Change 3.63% for Levy Year 2013 through 2018

City of Merrill - Tax Rate Summary

Proposed Revised Format - 1/14/2019

2018 Tax Rate - For 2019 Budget - TID In
Final amounts used for tax calculation

Levy Year	Budget Year	City Tax Levy	City TID Portion	Total City Tax Levy	Total Levy Change	Assessed Valuation	Change in Assessed
2013	2014*	\$4,877,448	\$131,325	\$5,008,773	\$2,898	\$394,235,310	\$4,297,910
2014	2015	\$5,309,384	\$277,002	\$5,586,386	\$577,613	\$413,207,200	\$18,971,890
2015	2016	\$5,344,578	\$307,850	\$5,652,428	\$66,042	\$417,048,310	\$3,841,110
2016	2017	\$5,376,386	\$451,183	\$5,827,569	\$175,141	\$407,102,520	(\$9,945,790)
2017	2018	\$5,617,836	\$362,748	\$5,980,584	\$153,015	\$410,015,680	\$2,913,160
2018	2019	\$5,862,689	\$520,333	\$6,383,022	\$402,438	\$407,643,570	(\$2,372,110)

City Tax Rate	Change in Tax Rate	% Tax Rate Change	Per \$75,000 Assessment	Difference Per \$75,000
\$12.705	(\$0.133)	-1.03%	\$953	(\$10)
\$13.520	\$0.815	6.41%	\$1,014	\$61
\$13.553	\$0.034	0.25%	\$1,017	\$3
\$14.315	\$0.761	5.62%	\$1,074	\$57
\$14.586	\$0.271	1.90%	\$1,094	\$20
\$15.658	\$1.072	7.35%	\$1,174	\$80

* For 2014 budget - General Fund Offset of \$408,018 for increased Debt Service for new fire station.

City of Merrill revaluation as of 1/1/2016 was completed in Fall 2016 - first revaluation since 2000.

Attachment: Additional Info - Tax Levy vs Tax Rate (3918 : Finance Director proposed future taxation

City of Merrill - 2018 Tax Levy & Tax Rate Impact of \$76,050 to Debt Service Fund

Tax Levy - 2018		% Change
City Tax Levy Increase	\$168,803	3.00% Target*
Actual City Tax Levy Increase	\$244,853	4.36%
Difference in Tax Levy Amount	\$76,050	

*After Mayor Derek Woellner's 2018 budget veto

Fiscal Impact - 2018 Tax Bills

Assessed Valuation (TID In)	\$407,643,570
Debt Service Amount	\$76,050
Tax rate impact per \$1,000 Assessed Valuation	\$0.19
Tax bill impact on \$50,000 Assessed Valuation	\$9.33

For 2019 tax levy (2020 budget), there will be debt service tax levy adjustment for this amount.