

Budgeting and Levy Limits

By Todd Taves, Senior Municipal Advisor and Principal, Ehlers



Wisconsin municipalities have now operated under levy limits for a full decade. With its numerous adjustments, the impact of levy limits on individual communities has varied considerably.

Prior to developing budgetary goals and objectives, a municipality must understand what constraints its projected allowable levy poses. The following is an overview of the levy limit law and key adjustments.

The adjusted actual levy is then increased by a percentage based on net new construction as determined by the Wisconsin Department of Revenue. Net new construction is the amount of new construction that occurred within the municipality in the prior year, including within tax incremental financing districts, less the value of any demolition. This net amount is divided by the prior year's total equalized value to determine the applicable percentage. This percentage, along with any increase that may result from terminating a tax incremental financing district, determines the levy limit before adjustment as shown below.

BASE INCREASE TO ALLOWABLE LEVY

The first step in determining the allowable increase to the municipal levy for the next year's budget is to calculate the prior year's adjusted actual levy. The adjusted actual levy is the prior year's total levy decreased by any amounts claimed for unreimbursed emergency expenses or payment of obligation debt authorized after July 1, 2005 as shown in Example 1 which replicates the levy limit worksheet format (DOR Form SL-202m):

Example 1

1	2014 payable 2015 actual levy (not including tax increment). NOTE: Town, village or city taxes do not include county or state special charges for purposes of calculating levy limits.	\$ 1,200,000
2	Exclude prior year levy for unreimbursed expenses related to an emergency.	\$ 0
3	Exclude 2014 levy for new general obligation debt authorized after July 1, 2005.	\$ 200,000
4	2014 payable 2015 adjusted actual levy.	\$ 1,000,000

Example 2

4	2014 payable 2015 adjusted actual levy.	\$ 1,000,000
5	0.00% growth plus terminated TID% (-0.00%) applied to the 2014 adjusted actual levy	\$ 1,000,000
6	Net new construction % (1.000) + terminated TID% (0.000) applied to 2014 adjusted actual levy.	\$ 1,010,000
7	2015 levy limit before adjustments. <i>Larger of Line 5 or Line 6.</i>	\$ 1,010,000

In this example, the municipality would be permitted to increase its levy by \$10,000 over the prior year before claiming any adjustments. Lines 1-7 on the levy limit worksheet are calculated and pre-filled on the worksheet by the Department of Revenue, but these calculations should be checked for accuracy.

DEBT SERVICE ADJUSTMENTS

The adjustments pertaining to general obligation (G.O.) debt service can offer significant levy limit flexibility depending on a municipality's specific circumstances. The law treats G.O.

Levy Limits
From page 227

exempts a municipality from the requirement to reduce its levy limit by the amount of any decrease in the levy from the prior year for G.O. debt authorized prior to July 1, 2005. If no carryover is available as a result of the prior year's levy being equal to the allowable levy, a municipality is similarly exempted from the reduction.

- If a carryover is available, it is important to ensure that the carryover was not artificially created by claiming in the previous year an unnecessarily large adjustment for G.O. debt authorized on or after July 1, 2005 (Adjustment E on the levy limit worksheet). If a municipality is claiming Adjustment E, it should only claim the exact amount needed to cause its calculated allowable levy to equal what it plans to actually levy. Since the Adjustment E amount claimed is deducted in the following year, taking a larger than required adjustment will result in an unintended permanent reduction in levy limit capacity.

COVERED SERVICES NEGATIVE ADJUSTMENT

The law specifies that a municipality must reduce its levy limit if, on or after July 2, 2013, it puts into place a user fee for garbage collection (does not include recycling), fire protection, snow plowing, street sweeping and stormwater management. It must also be the case that the service for which the user fee is implemented was funded in whole or in part by the tax levy

in the 2013 budget year. A negative adjustment also applies when a user fee for any of the listed services is subsequently increased. The amount of the negative adjustment is equal to the projected increase in revenue resulting from the implementation of a user fee, or the increase in the user fee amount. A negative adjustment does not apply if revenues increase as a result of additional service units, but the fee remains the same. Example 3, below, provides additional clarification based on the four possible scenarios.

The effect of this provision is to preclude a municipality from implementing a new user fee for any of the five covered services to free up levy limit capacity to fund other operating purposes.

FOR FURTHER INFORMATION

A number of additional levy limit adjustments are available for circumstances such as annexations, transfer of services and joint fire departments. For a full treatment of all adjustments as well as additional discussion of levy limit strategies please refer to the presentation materials located on Ehlers' website at the following address: <http://bit.ly/EhlersLevyLimits>.

Todd Taves is a Senior Municipal Advisor and Principal with Ehlers: an independent financial advisory firm serving local governments in Wisconsin and other areas of the upper Midwest. Prior to joining Ehlers, Todd was the Administrator of the Town of Bellevue, with his eight-year tenure culminating in the Town's successful incorporation as a village. He may be reached at TTaves@ehlers-inc.com.

Example 3

Date User Fee First Enacted for Covered Service	Were tax levy dollars used to fund this service in part or in whole in 2013?	Negative Adjustment Applicable to Initial User Fee	Negative Adjustment Applicable to Subsequent Fee Increases
Prior to July 2, 2013	No, 100% user fee funded.	No	No
Prior to July 2, 2013	Yes, funded partially with user fees and partially with tax levy	No	Yes
On or After July 2, 2013	Yes, levy funded prior to enactment of user fee	Yes	Yes
On or After July 2, 2013	Service was not provided prior to enactment of user fee, or was funded fully with other non-tax levy sources	No	No

Watch for Help and Error Messages

- Help is available for the field. Hold the mouse over the symbol to see the help message. Further information may be available if you click on the symbol.
- There is an error in the field. Hold the mouse over the symbol to see the error message. All errors must be fixed before you submit the form.
- Review what has been entered in the field. Hold the mouse over the symbol to see the message.

2014 MUNICIPAL LEVY LIMIT WORKSHEET

Wisconsin Department Of Revenue

Year 2014	Report Type ORIGINAL	CoMuni Code 36251	Muni Type CITY	Account Number 0960
			Municipality MANITOWOC	
			County MANITOWOC	

Responsible Officer	<u>STEVEN CORBEILLE FINANCE DIRECTOR</u>
Phone Number	<u>(920) 686-6961</u>
E-mail Address	<u>SCORBEILLE@MANITOWOC.ORG</u>

Determination of Allowable 2014 Payable 2015 Levy for Municipalities		
1	2013 payable 2014 actual levy (not including tax increment). NOTE: Town, village, or city taxes do not include county or state special charges for purposes of calculating levy limits.	14,469,923
2	Exclude prior year levy for unreimbursed expenses related to an emergency.	0
3	Exclude 2013 levy for new general obligation debt authorized after July 1, 2005.	258,895
4	2013 payable 2014 adjusted actual levy. <i>Line 1 minus Lines 2 and 3.</i>	14,211,028
5	0.00% growth plus terminated TID% (<u> 0</u>) applied to 2013 adjusted actual levy.	14,211,028
6	Net new construction % (<u>.588</u>) + terminated TID% (<u> 0</u>) applied to 2013 adjusted actual levy.	14,294,589
7	2014 levy limit before adjustments. <i>Larger of Line 5 or Line 6.</i>	14,294,589
8	Total adjustments from page 2, Line R.	463,285
9	2014 payable 2015 allowable levy. <i>Sum of Lines 7 and 8.</i>	14,757,874
10	Higher levy approved by Special Resolution at a Special Meeting of Town Electors.	

Adjustment for previous year's unused levy (sec. 66.0602(3)(f)2., Wis. Stats.)

1	Previous year's allowable levy	14,469,923
2	Previous year's actual levy	14,469,923
3	Previous year's unused levy. <i>Line 1 minus Line 2.</i>	0
4	Previous year's actual levy <u>14,469,923</u> x <u>0.015</u>	217,049
5	Allowable increase. <i>Lesser of Line 3 or Line 4.</i>	0

Adjustments to Levy Limit

A	Increase for unused levy from previous year (see Line 5 above). <i>(add)</i>	
B	Decrease in 2015 debt service levy as compared to 2014 debt service levy for debt authorized prior to July 1, 2005. <i>(subtract)</i>	
C	Increase in 2015 debt service over 2014 debt service for debt authorized prior to July 1, 2005. <i>(add)</i>	
D	Increase for town, village, or city's share of refunded or rescinded taxes certified under sec. 74.41(5), Wis. Stats. <i>(add)</i>	
E	Debt service for general obligation debt authorized after July 1, 2005. <i>(add)</i>	463,285
F	Increase in 2014 payable 2015 levy approved by a referendum. <i>(add)</i>	
G	Amount levied in 2014 to pay unreimbursed expenses related to an emergency. <i>(add)</i>	
H	<input type="text"/> in costs associated with an intergovernmental cooperation agreement.	
I	Adjustment to 2014 payable 2015 levy for increase in charges assessed by a joint fire department. <i>(add)</i>	
J	Adjustment to 2014 payable 2015 levy for transfer of services during 2014 to other governmental units. <i>(subtract)</i>	
K	Adjustment to 2014 payable 2015 for transfer of services during 2014 from other governmental units. <i>(add)</i>	
L	Adjustment to 2014 payable 2015 levy for annexation of land during 2014 by a city or village. <i>(Town subtract this amount)</i>	
M	Adjustment to 2014 payable 2015 levy for annexation of land during 2014 from a town. <i>(Village or City add this amount)</i>	
N	Lease payment for lease revenue bond issued before July 1, 2005. <i>(add)</i>	
O	Levy for shortfall for debt service on revenue bond issued under sec. 66.0621 Wis. Stats., or special assessment B bond issued under sec. 66.0713(4), Wis. Stats.	
P	Increase in levy for shortfall in general fund due to loss of revenue from the sale of water or other commodity to a manufacturer that has discontinued operations. <i>(add)</i>	
Q	Adjustment to 2014 payable 2015 levy for the adoption of a new fee or fee increase for covered services which were partly or wholly funded by levy in 2014. <i>(subtract)</i>	
R	Total adjustments <i>(Sum of Lines A through Q)</i>	463,285

Ready to Submit

Have you confirmed the form is complete, correct, and ready to submit?

If so, select "YES" and press SUBMIT.

TIP: You can check for errors by selecting "NO" and pressing SUBMIT.

YES NO

Submission

Confirmation #

Filing Date :

2015 MUNICIPAL LEVY LIMIT WORKSHEET

Form SL-202M

Wisconsin Department Of Revenue

This form is due to the Wisconsin Department of Revenue (DOR) by **December 15, 2015**

Filing Instructions:

1. Please review the Form Instructions before completing this form
2. Enter your 5-digit county-municipal code or select your municipality type and enter the county and municipality name. If valid, several fields on the form will auto-fill with data
3. Complete the form and check for accuracy
4. Attach documents, if required
5. Select **Yes**, click **Submit** on the last page, and print a copy for your records. A confirmation number will print on your copy

If you have any questions:

- Email: lgs@revenue.wi.gov
- Call: (608) 266-8618

Watch for Help and Error Messages

- Help is available for the field. Hold the mouse over the symbol to see the help message. Further information may be available if you click on the symbol.
- There is an error in the field. Hold the mouse over the symbol to see the error message. All errors must be fixed before you submit the form.
- Review what has been entered in the field. Hold the mouse over the symbol to see the message.

Year 2015	Report Type ORIGINAL	CoMuni Code 36251	Muni Type CITY	Account Number 0960
			Municipality MANITOWOC	
			County MANITOWOC	

Responsible Officer	STEVEN CORBEILLE FINANCE DIRECTOR
Phone Number	(920) 686-6961
Email Address	SCORBEILLE@MANITOWOC.ORG

Section A: Determination of 2015 Payable 2016 Allowable Levy Limit

1	2014 payable 2015 actual levy (not including tax increment) Note: Town, village, or city taxes do not include county or state special charges for purposes of calculating levy limits.	14,757,872
2	Exclude prior year levy for unreimbursed expenses related to an emergency	0
3	Exclude 2014 levy for new general obligation debt authorized after July 1, 2005	463,285
4	2014 payable 2015 adjusted actual levy. <i>Line 1 minus Lines 2 and 3.</i>	14,294,587
5	0.00% growth plus terminated TID% (.027) applied to 2014 adjusted actual levy	14,298,447
6	Net new construction % (.583) + terminated TID% (.027) applied to 2014 adjusted actual levy	14,381,784
7	2015 levy limit before adjustments. <i>Greater of Line 5 or Line 6.</i>	14,381,784
8	Total adjustments from Sec. D, Line S.	645,478
9	2015 payable 2016 allowable levy. <i>Sum of Lines 7 and 8.</i>	15,027,262
10	Higher levy approved by Special Resolution at a Special Meeting of Town Electors	

Section B: Adjustment for Previous Year's Unused Levy (sec. 66.0602(3)(f), Wis. Stats.)

1	Previous year's allowable levy	14,757,874
2	Previous year's actual levy	14,757,872
3	Previous year's unused levy. <i>Line 1 minus Line 2.</i>	2
4	Previous year's actual levy 14,757,872 x 0.015	221,368
5	Allowable increase. <i>Lesser of Line 3 or Line 4.</i>	2

Section C: Adjustment for Prior Year's Unused Levy Carryforward (sec. 66.0602(3)(fm), Wis. Stats.)

1	2014 Unused percentage	0%
2	PY Unused percentage	
3	PY Unused percentage	
4	PY Unused percentage	
5	PY Unused percentage	
6	Total unused percentage	0%
7	Previous year actual levy due to valuation factor	14,294,587
8	Allowable increase	0

Section D: Adjustments to Levy Limit

A	Increase for unused levy from previous year (see Sec. B, Line 5). <i>(add)</i>	
B	Decrease in 2016 debt service levy as compared to 2015 debt service levy for debt authorized prior to July 1, 2005. <i>(subtract)</i>	
C	Increase in 2016 debt service levy over 2015 debt service levy for debt authorized prior to July 1, 2005. <i>(add)</i>	
D	Increase for town, village, or city's share of refunded or rescinded taxes certified under sec. 74.41(5), Wis. Stats. <i>(add)</i>	
E	Debt service for general obligation debt authorized after July 1, 2005. <i>(add)</i>	645,478
F	Increase in 2015 payable 2016 levy approved by a referendum. <i>(add)</i>	
G	Amount levied in 2015 to pay unreimbursed expenses related to an emergency. <i>(add)</i>	
H	<input type="text"/> in costs associated with an intergovernmental cooperation agreement.	
I	Adjustment to 2015 payable 2016 levy for increase in charges assessed by a joint fire department. <i>(add)</i>	
J	Adjustment to 2015 payable 2016 levy for transfer of services during 2015 to other governmental units. <i>(subtract)</i>	
K	Adjustment to 2015 payable 2016 for transfer of services during 2015 from other governmental units. <i>(add)</i>	
L	Adjustment to 2015 payable 2016 levy for annexation of land during 2015 by a city or village. <i>(Town subtract this amount)</i>	
M	Adjustment to 2015 payable 2016 levy for annexation of land during 2015 from a town. <i>(Village or City add this amount)</i>	
N	Lease payment for lease revenue bond issued before July 1, 2005. <i>(add)</i>	
O	Levy for shortfall for debt service on revenue bond issued under sec. 66.0621 Wis. Stats., or special assessment B bond issued under sec. 66.0713(4), Wis. Stats.	
P	Increase in levy for shortfall in general fund due to loss of revenue from the sale of water or other commodity to a manufacturer that has discontinued operations. <i>(add)</i>	
Q	Adjustment to 2015 payable 2016 levy for the adoption of a new fee or fee increase for covered services that were partly or wholly funded by levy in 2013. <i>(subtract)</i>	
R	Increase for unused levy carryforward from prior years (see Sec. C, Line 8) <i>(add)</i>	
S	Total adjustments <i>(Sum of Lines A through R)</i>	645,478

Ready to Submit

Under penalties of law, I declare this form and all attachments are true, correct and complete to the best of my knowledge and belief.

Do you agree with the statement above?

YES NO

Submission

ERROR - Your form was not successfully filed. Make sure you are connected to the Internet. If you are connected to the Internet, save your form to your computer or other storage device and resubmit it at a later time.

Municipal Levy Limit Worksheet Instructions

As a municipal clerk, you are required to submit this form to the Wisconsin Department of Revenue (DOR) by December 15, 2015.

If you have questions:

- Email: lgs@revenue.wi.gov
- Call: (608) 266-8618

Section A: Determination of 2015 payable 2016 Allowable Levy Limit

Lines 1 through 7 are auto-filled by DOR

- Line 1 – Previous year actual levy reported on your 2014 Statement of Taxes
- Line 2 – Amount reported on Line G of your 2014 Levy Limit Worksheet
- Line 3 – Amount reported on Line E of your 2014 Levy Limit Worksheet
- Line 4 – 2014 adjusted actual levy (Line 1 minus total of Lines 2 and 3)
- Line 5 – Allowable increase for growth and terminated tax increment district (TID) applied to 2014 adjusted actual levy
- Line 6 – Allowable increase for net new construction and terminated TID applied to 2014 adjusted actual levy
- Line 7 – 2015 allowable levy limit before adjustments (Greater of Line 5 or 6)
- Line 8 – Total adjustments from Sec. D, Line S
- Line 9 – 2015 allowable levy limit (Sum of Lines 7 and 8)
- Line 10 – For Towns with a population of less than 3,000, enter higher levy approved by Special Resolution at a special meeting of Town electors. You must provide the following documents to DOR:
 - Resolution to propose exceeding levy limit
 - Notice of special town meeting
 - Signed resolution for electors to exceed levy limit (with voting results)

Section B: Adjustment for Previous Year's Unused Levy (sec. 66.0602(3)(f), Wis. Stats.)

This section calculates the allowable increase for the previous year's unused levy (auto-filled by DOR).

- Line 1 – Previous year's allowable levy reported on your 2014 Levy Limit Worksheet
- Line 2 – Previous year's actual levy reported on your 2014 Statement of Taxes
- Line 3 – Previous year's unused levy (Line 1 minus Line 2)
- Line 4 – Previous year's actual levy multiplied by 1.5%
- Line 5 – Allowable increase (Lesser of Line 3 or 4)

Section C: Adjustment for Prior Years' Unused Levy Carryforward (sec. 66.0602(3)(fm), Wis. Stats.)

This section calculates the allowable increase for the prior five years' unused levy carryforward, not before 2014 (auto-filled by DOR).

- Line 1 – 2014 unused percentage
- Lines 2 through 5 – Unused percentages for prior years (not currently available)
- Line 6 – Total unused percentage, which cannot exceed 5% (Sum of Lines 1 through 5)
- Line 7 – Previous year actual levy due to valuation factor (actual levy reported on Statement of Taxes minus total adjustments reported on Levy Limit Worksheet)
- Line 8 – Allowable increase (Line 6 multiplied by Line 7)

Example:

2014 actual levy due to valuation factor	\$16,000,000
2013 actual levy due to valuation factor	\$15,900,000
Increase from 2013 to 2014	\$100,000
Percent increase from 2013 to 2014	0.629%
Greater of net new construction or growth	0.640%
Line 1 – 2014 unused percentage (0.640% - 0.629%)	0.011%
Line 6 – Total unused percentage (2014-only)	0.011%
Line 7 – Previous year actual levy due to valuation factor	\$16,000,000
Line 8 – Allowable increase (\$16,000,000 * 0.011%)	\$1,760

Section D: Adjustments to Levy Limit

The reported adjustments in this section will increase or decrease your allowable levy limit.

- Line A – To use the allowable increase provided in Sec. B, enter an amount equal to or less than Sec. B, line 5.

To qualify for this adjustment:

- Your governing body must approve by majority vote (for an increase of .5% or less); 2/3 majority vote (for an increase more than .5% to 1.5%); or 3/4 majority vote (for cities and villages with at least five members approving an increase more than .5% to 1.5%)
- You cannot report an amount on Line A **and** Line R

- Line B – Enter the amount of decrease in debt service levy for debt authorized prior to July 1, 2005. Note: You are not required to report an amount on this line if you did not enter an allowable increase on Line A.
- Line C – Enter the amount of increase in debt service levy for debt authorized prior to July 1, 2005. This is rare.
- Line D – Enter the amount of levy increase for your municipality's share of refunded or rescinded taxes certified by DOR under sec. 74.41(5), Wis. Stats.
- Line E – Enter the debt service levy for general obligation debt authorized after July 1, 2005. This amount is upcoming scheduled principle and interest payments; only report the amount that needs to be funded by levy.
- Line F – Enter the amount of levy increase approved by referendum
- Line G – Enter the amount of levy increase to pay unreimbursed expenses related to an emergency declared by the Governor under state law (sec. 323.10, Wis. Stats.)



- Line H – Enter the amount of increase or decrease in costs associated with an intergovernmental cooperation agreement. It must be a redistribution of costs in an existing agreement.
- Line I – Enter the amount of increase in charges assessed by a joint fire department if it qualifies under sec. 66.0602(3)(h), Wis. Stats. Note: The total charges assessed by the joint fire department must be less than the Consumer Price Index ending September 30 plus 2% and all participating municipalities must adopt a resolution.
- Line J – Enter the amount of decrease in tax levy for the transfer of services to another governmental unit
- Line K – Enter the amount of increase in tax levy for the transfer of services from another governmental unit
- Line L – Towns enter the amount of decrease in tax levy for an annexation of land by a city or village. The amount includes the town's portion of collected property taxes for the annexed parcels.
- Line M – Cities or villages enter the amount of increase in tax levy for an annexation of land from a town. The amount includes the Town's portion of collected property taxes for the annexed parcels.
- Line N – Enter the amount of levy increase for lease payments for lease revenue bonds issued before July 1, 2005
- Line O – Enter the amount of levy increase for a shortfall for debt service on revenue bonds issued under sec. 66.0621, Wis. Stats., or special assessment B bonds issued under sec. 66.0713(4), Wis. Stats.
- Line P – Enter the amount of levy increase for shortfall in general fund due to loss of revenue from the sale of water or other commodity to a manufacturer that has discontinued operations
- Line Q – Enter the amount of decrease in tax levy for the adoption of a new fee or fee increase for covered services that were partly or wholly funded by levy in 2013. Note: The covered services are garbage collection, fire protection, snow plowing, street sweeping and storm water management.
- Line R – To use the allowable increase provided in Sec. C, enter an amount equal to or less than Sec. C, line 8. To qualify for this adjustment:
 - Your municipality must approve this adjustment by a 2/3 majority vote
 - Your current year outstanding general obligation debt service must be less than or equal to your outstanding general obligation debt service in the previous year
 - You cannot report an amount on Line A **and** Line R
- Line S – Total adjustments reported in this section (Sum of Lines A through R)

After you submit this e-file form, print and/or save a copy for your records with the confirmation number. Do not mail or fax another copy to DOR.