



# CHAMBER Eggs and Issues

## Advocate Sponsors



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## Upcoming Eggs & Issues

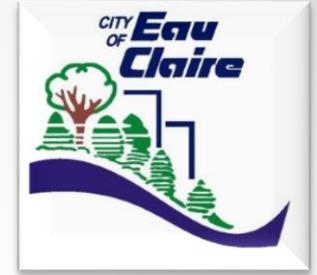
- **Friday, June 15**  
*John Koskinen, State Economist*
- **Friday, July 20**  
*Stephanie Klett, Wis. Tourism Secretary*
- **Friday, August 17**  
*John Kirchner, US Chamber*

## Reception: New City Councilors

- **Monday, June 4**  
*4:00-5:30 p.m. at the Chamber*

## Small Business of the Year

- Breakfast: Wed, May 30
- ### Breakfast in the Valley
- Friday, June 8
- ### Business After Hours
- Monday, June 11 - *Princeton Valley*
- ### Chippewa Valley Air Show
- Reception: Thurs, Jun 14
  - Chamber Chalet: Fri/Sat, Jun 16 & 17
- ### Downtown Wellness Walk
- Wednesday, July 18
- ### Business Hall of Fame
- Luncheon: Wed, Aug 15



# TIF's & Other **FUN FACTS** About Municipal Finance

Eau Claire Chamber of Commerce  
Eggs and Issues  
5/18/2018



# FUN FACT #1

Over the last 10 years, the average increase in General Fund operating expenditures for the City of Eau Claire has been 1.5%

# TIF & Municipal Finance

## Background



- Tax Levy – The total dollar amount that must be levied in the form of a property tax.
  - Total Expenditures – (Total Revenues + Applied Fund Balance)
  - 2018 Tax Levies:
    - City Government - \$41,687,600
    - Eau Claire County - \$18,294,756
    - Eau Claire Schools - \$46,010,914
    - CVTC - \$4,263,267

# TIF & Municipal Finance

## Background



- Tax Rate – The Tax Levy divided by the assessed value of the taxing jurisdiction.
  - Expressed as a rate/\$1,000 of assessed value.
  - City Tax Levy = \$41,687,600
  - Assessed Value = \$4,667,471,500
  - Tax Rate =  $\$41,687,600 / (\$4,667,471,500 / 1000) = \$8.93$
  - Taxes Paid on \$150,000 Home =  $(\$150,000 / 1000) * \$8.93 = \$1,339.50$



## **FUN FACT #2**

Assessed values are merely a way to apportion the tax levy between owners of property. In England, France, Ireland, and Scotland during the 18<sup>th</sup> and 19<sup>th</sup> centuries the property tax was based upon the number of windows in a house

# TIF & Municipal Finance

## Assessed Values & Taxation



- Uniformity Clause – “The rule of taxation shall be uniform, and taxes shall be levied upon such property as the legislature shall prescribe.”  
(Wisconsin Constitution, Article VIII, section 1)
- Real Property is to be assessed at 100% of fair market value
- Assessed values are merely way to apportion property tax levy.
- Property values are dynamic and periodically property is revalued to restore equity

# TIF & Municipal Finance

## Revaluation Myths



- The City does this to collect more in taxes

FALSE – the amount collected in taxes is determined by the tax levy, which is a fixed amount.

- If my assessed value goes up I will pay more in taxes.

DEPENDS – Depends on how much the assessed value of your property increases compared to other properties

< average: Property taxes decrease

average: Property taxes stay the same

> average: Property taxes increase

# TIF & Municipal Finance

## Revaluation



- Village of Wooden Shoe
  - Tax Levy of \$5,000
  - Total Assessed Value of \$450,000
  - Tax Rate =  $\$5,000 / (\$450,000 / \$1,000) = \$11.11$
- Three properties owned by Wynken, Blynken, and Nod

# TIF & Municipal Finance

## Revaluation



- Current Assessments & Taxes:

	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Taxes Owed</u>
Wynken	\$ 100,000	\$ 11.11	\$ 1,111.11
Blyken	\$ 150,000	\$ 11.11	\$ 1,666.67
Nod	<u>\$ 200,000</u>	\$ 11.11	<u>\$ 2,222.22</u>
	\$ 450,000		\$ 5,000.00

# TIF & Municipal Finance

## Revaluation – Scenario #1



- Wooden Shoe goes through a revaluation
  - Total Assessed Value Increases 10% to \$495,000
  - Tax Rate =  $\$5,000 / (\$495,000 / \$1,000) = \$10.10$
- Properties owned by Wynken, Blynken, and Nod all increase in value by 10%

# TIF & Municipal Finance

## Revaluation – Scenario #1



- New Assessments & Taxes:

	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Taxes Owed</u>
Wynken	\$ 110,000	\$ 10.10	\$ 1,111.11
Blyken	\$ 165,000	\$ 10.10	\$ 1,666.67
Nod	<u>\$ 220,000</u>	\$ 10.10	<u>\$ 2,222.22</u>
	\$ 495,000		\$ 5,000.00

# TIF & Municipal Finance

## Revaluation – Scenario #2



- Wooden Shoe goes through a revaluation
  - Total Assessed Value Increases 10% to \$495,000
  - Tax Rate =  $\$5,000 / (\$495,000 / \$1,000) = \$10.10$
- Properties owned by Wynken, Blynken, and Nod increase at the following rates:
  - Wynken – 5%
  - Blynken – 10%
  - Nod – 12.5%

# TIF & Municipal Finance

## Revaluation – Scenario #2



- New Assessments & Taxes:

	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Taxes Owed</u>
Wynken	\$ 105,000	\$ 10.10	\$ 1,060.61
Blyken	\$ 165,000	\$ 10.10	\$ 1,666.67
Nod	<u>\$ 225,000</u>	\$ 10.10	<u>\$ 2,272.73</u>
	\$ 495,000		\$ 5,000.00

# TIF & Municipal Finance

## Revaluation – Summary



	<u>Before Revaluation</u>	<u>Revaluation Scenario #1</u>	<u>Revaluation Scenario #2</u>
Wynken	\$ 1,111.11	\$ 1,111.11	\$ 1,060.61
Blyken	\$ 1,666.67	\$ 1,666.67	\$ 1,666.67
Nod	\$ 2,222.22	\$ 2,222.22	\$ 2,272.73
	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>

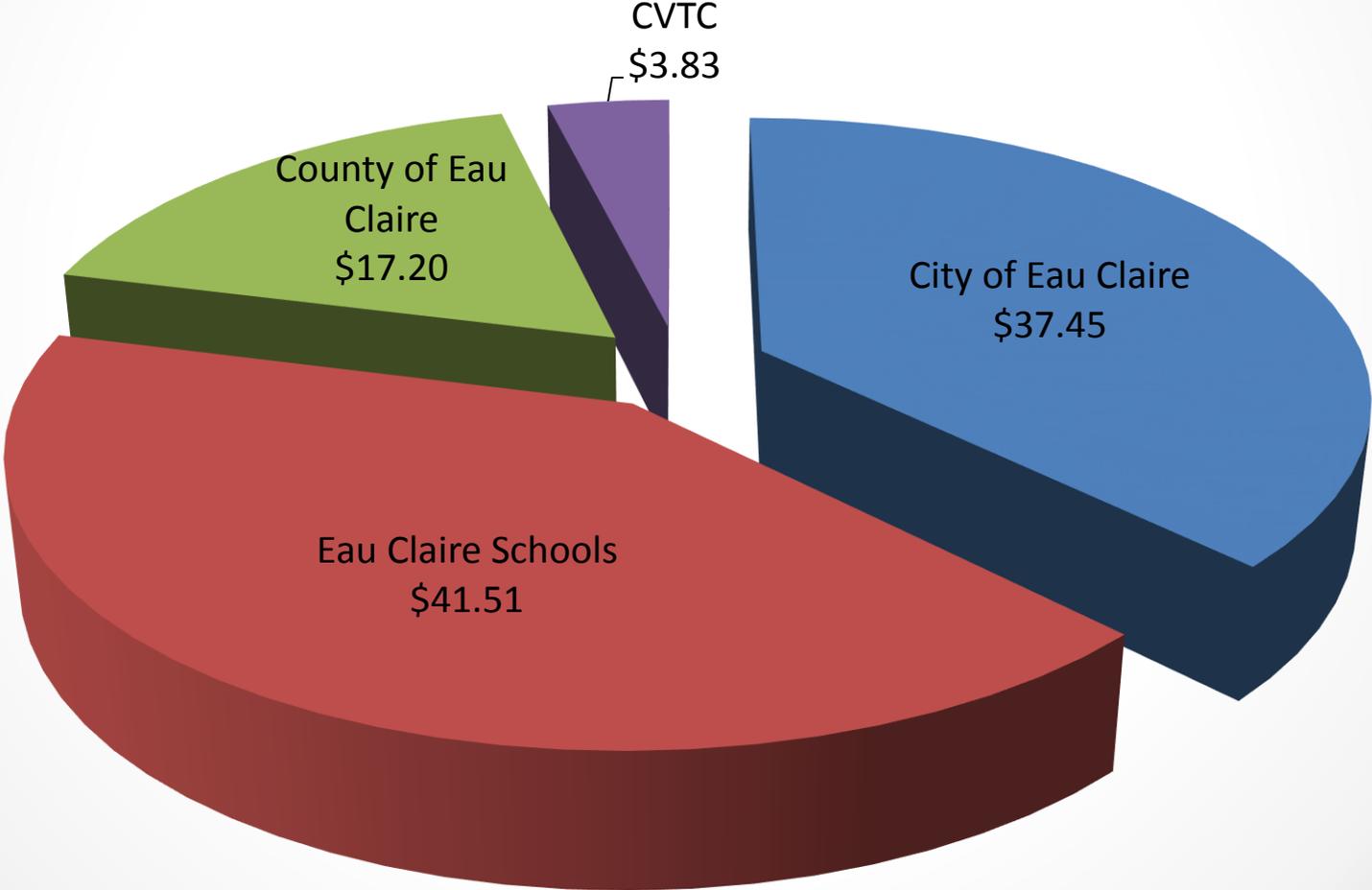


## **FUN FACT #3**

In 2018 owners of residential property paid 57.5% of all property taxes in Eau Claire and owners of commercial property paid 42.5%.

# TIF & Municipal Finance

## Property Tax Distribution



# TIF & Municipal Finance

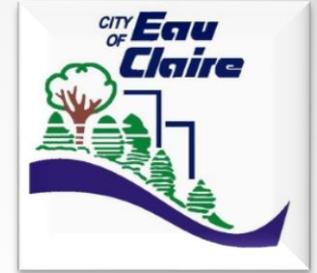
## Operating Budget - Background



- Levy Limits - A municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction. If no new construction occurred in your community, then your allowable levy increase is zero percent.
  - 2017 Net new construction = 1.961% = \$586,473
  - Post-2005 debt service levy exempt from levy limits
  - Can exceed limits if approved by referendum

# TIF & Municipal Finance

## Operating Budget - Background



- On or after July 2, 2013, if a municipality adopts a new fee or a fee increase for covered services (which were partly or wholly funded in 2013 by property tax levy), that municipality must reduce its levy limit in the current year by the amount of the new fee or fee increase, less any previous reductions. This also applies to payments in lieu of taxes
- Covered Services include garbage collection, fire protection, snow plowing, street sweeping, and storm water management.

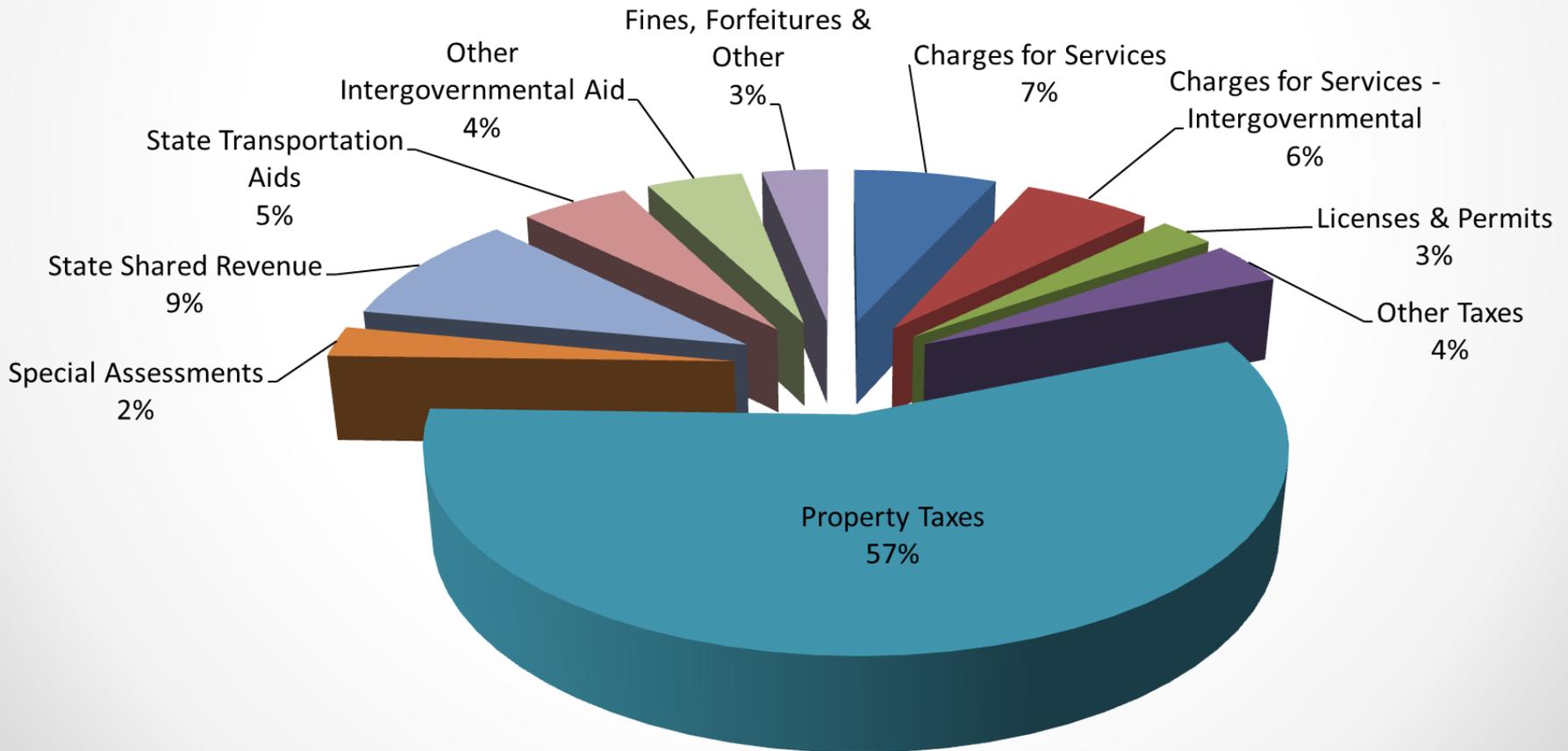


# FUN FACT #4

In 1990 Shared Revenues from the State of Wisconsin Comprised 53.6% of all General Fund revenue. In 2018 this had fallen to 9.9%

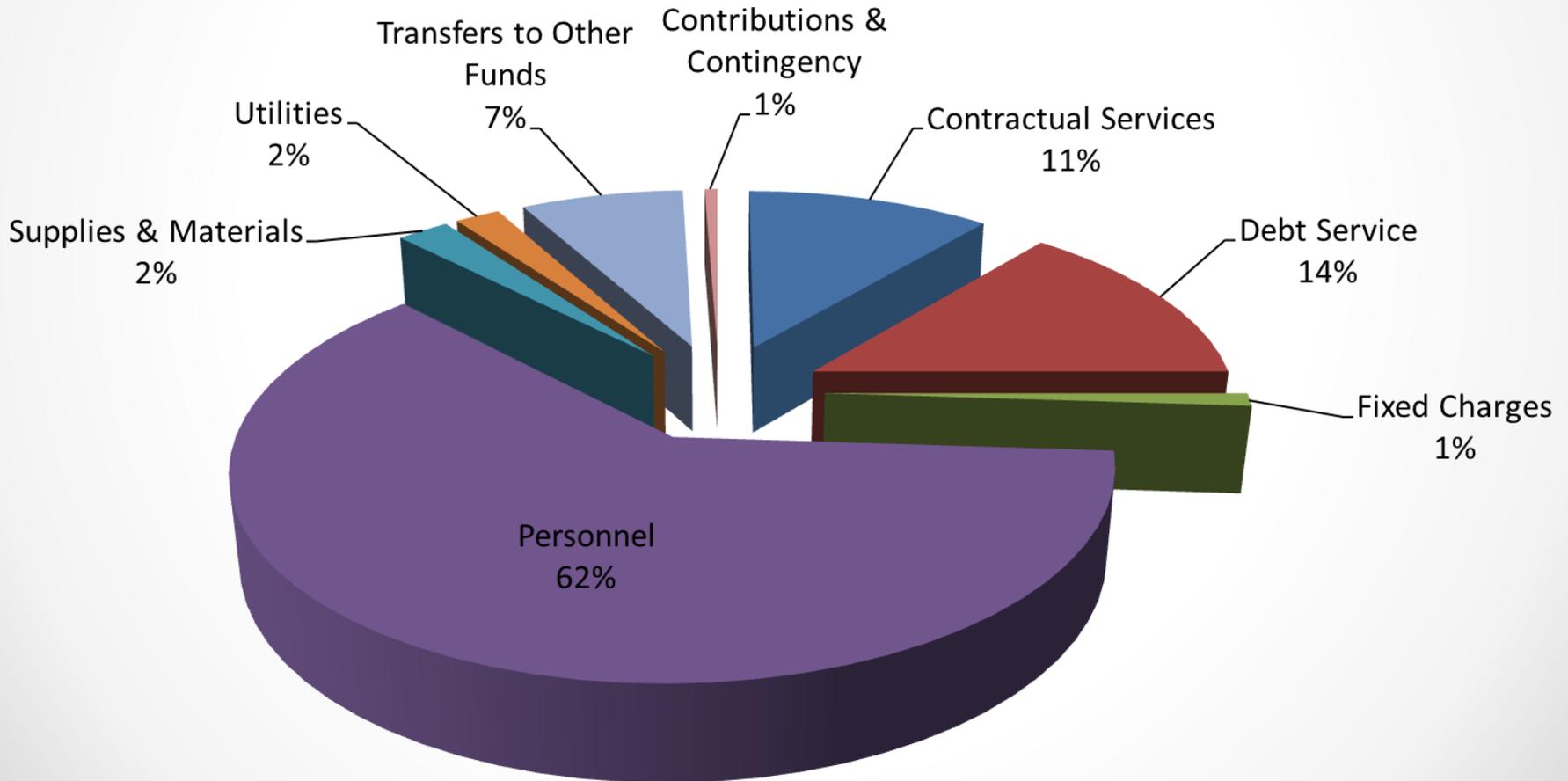
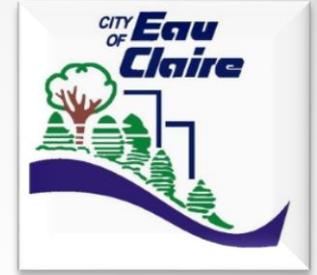
# TIF & Municipal Finance

## Operating Budget – Sources of Funds



# TIF & Municipal Finance

## Operating Budget – Uses of Funds



# TIF & Municipal Finance

## Operating Budget – Budget Process



April – July: Finance prepares base budget

July: Departments submit budget requests

August: City Manager review requests

September: City Manager finalizes recommended budget

October: Budget presented to City Council/City Council work sessions

November: Public Hearing and adoption of budget

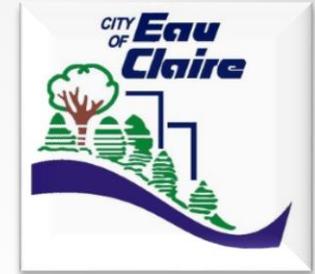


# FUN FACT #5

An owner of a house valued at \$150,000 pays less per month for property tax funded services than for Cable T.V./Internet services.

# TIF & Municipal Finance

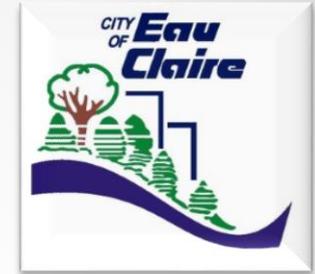
## 2018 Property Tax Breakdown



	2018	
	<u>Annual</u>	<u>Monthly</u>
Police	361.49	30.12
Fire	237.09	19.76
Debt Service	189.34	15.78
General Government	153.95	12.83
Street Maintenance	67.26	5.61
Parks	65.60	5.47
Health Department	62.50	5.21
Engineering	39.57	3.30
Snow & Ice Control	38.12	3.18
Library	37.07	3.09
Signs, Signals & Lighting	28.00	2.33

# TIF & Municipal Finance

## 2018 Property Tax Breakdown



	2018	
	<u>Annual</u>	<u>Monthly</u>
Non-Departmental	27.72	2.31
Transit	22.25	1.85
Recreation	18.98	1.58
Forestry	15.72	1.31
Buildings & Grounds	12.36	1.03
Cemetery Maintenance	5.83	0.49
Economic Development	4.76	0.40
Hobbs	2.18	0.18
Fairfax Pool	1.21	0.10
Total/Year	<u>1,391.00</u>	<u>115.92</u>



## **FUN FACT #6**

When the N. Barstow TID (TID #8) was created in 2002 it had an assessed value of approximately \$12.5 million. The current assessed value is nearly \$77 million – a increase of 516%

# TIF & Municipal Finance

## What is Tax Increment Financing (TIF)?



- Primary economic development tool used in Wisconsin since 1976
- Intent
  - Promote economic development and redevelopment
  - Address lack of incentives and financial resources
  - Promote cooperation between public and private sectors.

# TIF & Municipal Finance

## What is Tax Increment Financing (TIF)?



- Allows cities to capture all property tax revenue from growth in defined area and use that revenue to benefit it.
- 3 Types of Tax Incremental Districts (TID's) in Wisconsin – Industrial, Blight, and Mixed-use

# TIF & Municipal Finance

## TID Utilization



- 1,908 districts have been created since 1976.
- 765 districts have been dissolved.
- 1,151 active TIDs currently in existence.
- 426 communities in Wisconsin have used TIF (out of 593 Cities and Villages)

# TIF & Municipal Finance

## What Can TIF Be Used For?



- Public works & improvements
- Financing costs
- Real property assembly costs (land write-down)
- Professional service costs
- Admin./Organization costs
- Relocation costs

# TIF & Municipal Finance

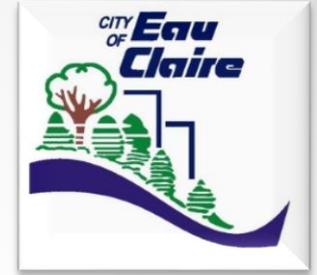
## What Can TIF Be Used For?



- Cash grants (requires developer agreement)
- Environmental remediation
- Projects within ½ mile of district
- All costs must directly relate to purpose of the TID

# TIF & Municipal Finance

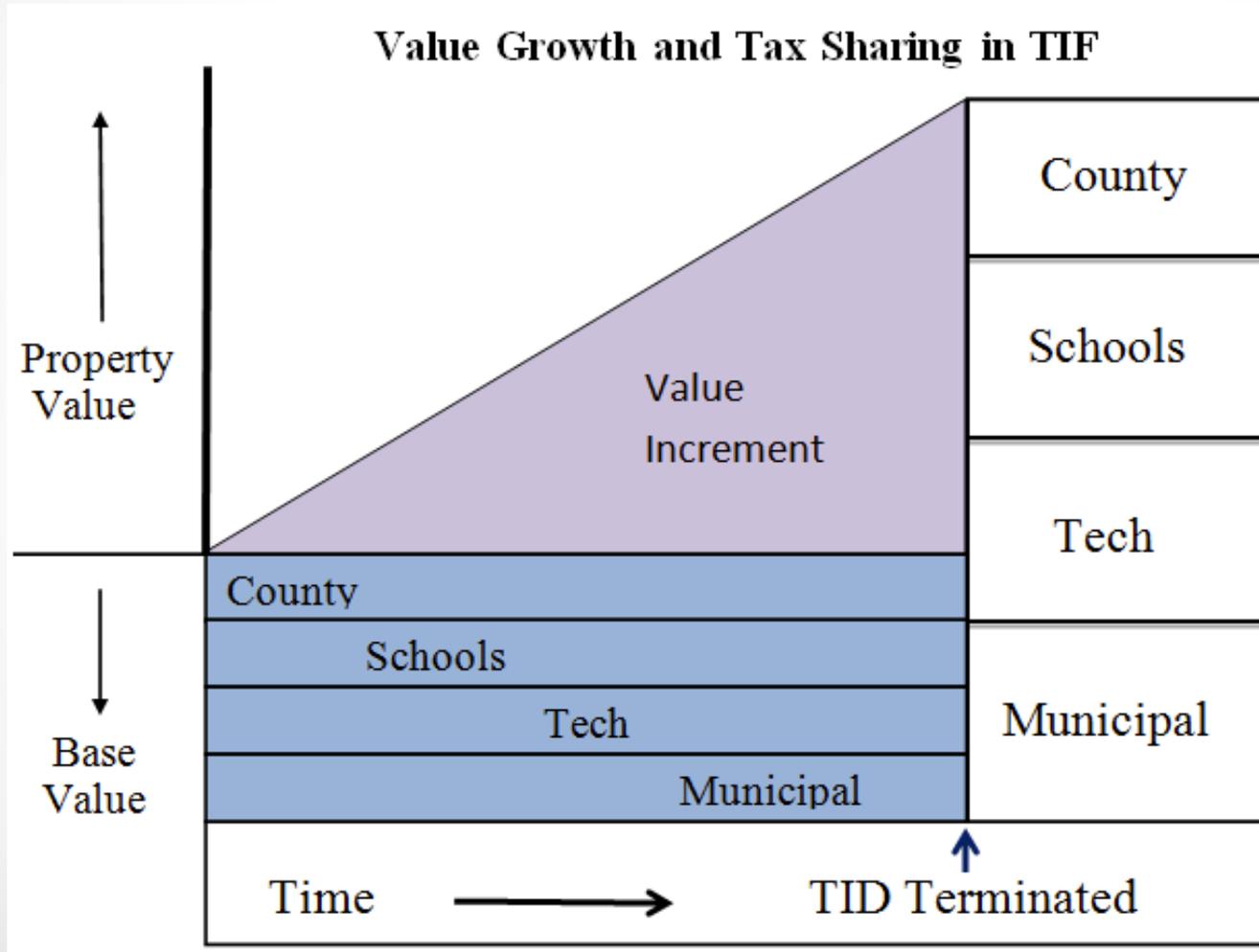
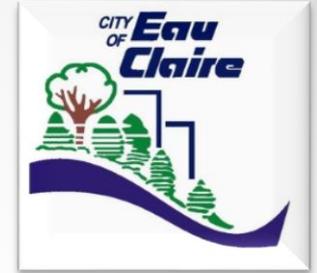
## The “But For” Test



- Key underpinning of TIF is referred to as the “but for” test
- “But for” the use of TIF, the proposed development would not occur:
  - As proposed
  - Within the same time period
  - With the same level of value
    - Property
    - Jobs
    - Amenities

# TIF & Municipal Finance

## How Does TIF Work?



# TIF & Municipal Finance

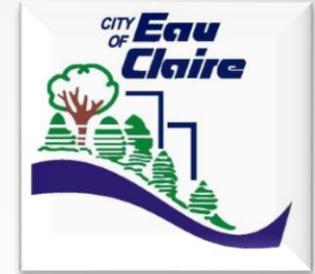
## The Eau Claire Experience



- Created 11 TID's since 1983
- Currently 7 Open TID's
- 1 TID will be closed this year
- Over \$312 million in new property value has been created in Eau Claire's TID's

# TIF & Municipal Finance

## The Eau Claire Experience



<u>TID #</u>	<u>Location</u>	<u>Created</u>	<u>Status</u>	<u>Base Value</u>	<u>Close/Current Value</u>	<u>Increment Value</u>
2	300-400 Blocks Graham	1983	Closed 1998	\$ -	\$ 6,220,800	\$ 6,220,800
3	Oakwood Hills	1984	Closed 1998	203,700	39,667,600	39,463,900
4	Gateway West Business Park	1992	Closed 2003	255,700	74,602,100	74,346,400
5	Gateway Northwest Business Park	1997	Open, closing 1/1/2018	999,700	61,460,500	60,460,800
6	Northeast Industrial Area	1997	Closed 2010	985,900	12,368,400	11,382,500
7	Soo Line Development Area	1997	Open	329,100	6,928,300	6,599,200
8	North Barstow	2002	Open	12,418,400	76,740,400	64,322,000
9	Gateway Northwest Business Park	2008	Open	11,238,900	14,383,900	3,145,000
10	Confluence	2015	Open	9,794,200	40,984,500	31,190,300
11	South Farwell	2015	Open	16,625,200	31,661,000	15,035,800
12	Water Street	2017	Open			-
				\$ 52,850,800	\$ 365,017,500	\$ 312,166,700

# TIF & Municipal Finance

## TIF Myths



- Property located in a TID is assessed at less than it's fair market value

FALSE. The Uniformity Clause of the State Constitution requires that all property be assessed at fair market value

- Property owners in a TID pay less in property taxes than those outside the TID

FALSE. Properties located in a TID pay taxes at the same rate as those outside a TID as required by the Uniformity Clause



Questions?