



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

Office of the Comptroller
Scott B. Manske, Comptroller

DATE : September 11, 2017
TO : County Executive, Chris Abele
Chairman, Theodore Lipscomb, Sr.
FROM : Scott B. Manske, Comptroller
SUBJECT : Preliminary Tax Levy Limit Estimate for the 2018 Budget

Policy Issue:

The tax levy limit for Milwaukee County is controlled by State Statute 66.0602. The Office of the Comptroller has followed that policy in determining the preliminary limit for 2018.

In general, the allowable increase in levy is limited to the growth in net new construction/terminated tax incremental financing districts \$2,938,052 and the growth in the debt service amount \$686,967. The County may also levy an additional \$26,899 that is directly related to the County's share of refunded taxes. The additional allowable levy resulting from these factors is \$3,651,918.

The year over year change in tax levy for the Southeastern Wisconsin Regional Planning Commission (SEWERPC) is also used to calculate the allowable levy. The 2017 to 2018 change for SEWERPC is a decrease of \$2,020 which increases the allowable levy by \$2,020 to \$3,653,938.

However, there are some items that are excluded from the limits, which provide an additional \$1,229,272 of allowable levy. The County may also utilize \$646,559 of unused allowable levy as part of the carryforward provision included in State Statute 66.0602 (3) (fm).

Therefore, the preliminary levy amount available including utilization of the balance of the excludable levy items and the maximum used under the carryforward provision is \$5,529,769. *These figures are preliminary estimates based on information from the County's Requested Budget. Changes made throughout the budget process and the final sale of the 2017 bond issuances will cause this number to change.*

2017 Allowable Levy Increase

| Levy Limit Provision | Additional Allowable Levy |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| A) Net New Construction (1.38%) and Terminated TIDs (0.039%) | \$2,938,052 |
| B) Change in Post 2005 Debt Service * | \$7,601,512 |
| C) NEW FOR 2018 Budget: Change in Pre 2005 Debt Service ** | (\$6,914,545) |
| D) Carryover Provision (Requires 2/3 Majority Vote and lower general obligation debt in current year than previous year) | \$646,559 |
| E) Increase for County's share of refunded taxes certified under sec. 74.41 (5) | \$26,899 |
| Sub Total | \$4,298,477 |
| SEWRPC 2017 vs. 2018 Levy Change | \$2,020 |
| Maximum Allowable Levy (Less Excluded Items) | \$4,300,497 |
| Items Excluded from Levy Limit Provision | |
| F) Additional Excludable Levy for EMS and MCFLS* | \$1,229,272 |
| Levy Amount Available Including Utilization of the Balance of Excludable Levy Items | \$5,529,769 |

* These amounts are preliminary and are subject to further revision throughout the budget process.

** New provision anticipated for 2017-2019 State Budget. See discussion in section C of this memo.

A) Growth Due to the County's Valuation Factor (Wis. Stat. 66.0602 (2))

Current State Statute allows for the County to increase its levy to reflect increases in its valuation. The valuation changes are a function of the net new construction percentage change and the closeout (termination of) Tax Incremental Financing Districts (TIDs) within the County. The net new construction percentage for the 2018 Budget is 1.38% and the Terminated TID percentage is 0.039%. For the 2018 Budget, the County may increase its levy by \$2,938,052 as a result of these factors.

B) Post-July 1, 2005 Debt Service (Wis. Stat. 66.0602 (3) (d) (2))

The County has the option to increase its tax levy anytime the post 7/1/2005 debt service increases. The County; however, must decrease its tax levy anytime the post 7/1/2005 debt service decreases. For 2017, the post 7/1/2005 debt service is expected to increase by \$7,601,512. As a result, the County may increase its tax levy by a maximum amount of \$7,601,512 under this provision. The amount includes estimated 2018 debt service related to the 2017 bond issuances. This amount will change when the actual sale of the County's 2017 bond issuances occurs in October.

C) NEW FOR 2018 Budget Pre-July 1, 2005 Debt Service (Wis. Stat. 66.0602 (2m) (a)

Current State law has allowed for the County to avoid having to reduce its allowable levy for debt service on debt issued prior to July 1, 2005 assuming that the County did not utilize the carryover provision under Wisconsin State Statute 66.0602 (3) (f) 1.

The Governor's Recommended Budget deleted the current law provision that allows the County to refrain from decreasing its allowable levy by the amount that its Pre-July 2005 debt service decreases between the prior year and the current year. In May 2017, the Joint Finance Committee agreed with the Governor's change. The final 2017-2019 State Budget has not yet been adopted; however, the table and calculations in this memo assume the change will be included.

A March 2017 report from the Office of the Comptroller was presented to the County's Intergovernmental Relations Committee that showed **the impact to the County's allowable levy was estimated to be a reduction of (\$6,914,545).**¹

D) Carryforward Provision Added in the 2015-2017 State Budget- (Wis. Stat. 66.0602 (3) (fm))

The County has the ability to carry forward unused levy limit capacity for a period of up to five years under certain conditions. Under prior law, unused levy limit capacity could only be carried forward to the following year and was permanently lost if unused. Under this provision, the maximum amount of carry forward that can be claimed as an adjustment in any given year is equal to 5% of the prior year's actual levy. Claiming the carry forward requires approval by a 2/3 majority vote of the governing body, and the amount of general obligation debt outstanding in the year the carry forward is claimed must be less than the amount of general debt outstanding in the prior year. The amount of the potentially available carry forward adjustment is determined by totaling the amount of any *unclaimed* carry forward percentages from each of the preceding five years' levy limit worksheets. However, since the law specifies that the first worksheet that can be considered is the one for the 2014 levy, this is a three-year look back and will not truly provide for the potential of a five year carry forward until the 2019 levy year (2020 Budget). For the 2018 Budget, the amount of levy available under this provision is estimated to be \$637,100.

¹ CB File 17-284. <https://milwaukeecounty.legistar.com/LegislationDetail.aspx?ID=2979552&GUID=C8D4C46D-132E-4CC5-BCCD-888A80F950BA&Options=&Search=>

E) Increase in Allowable Levy for the County's Share of Refunded Taxes
((Wis. Stat. 66.0602 (3) (e) 9.))

The 2018 Requested Budget includes \$26,899 to pay the final of four annual installments to the City of South Milwaukee as a result of a settlement between the City of South Milwaukee (City) and Caterpillar Global Mining LLC (CGM). The total amount of the refund to CGM is \$1,265,135. Of the \$1,265,135, \$205,451 is estimated to be the responsibility of the County. The City received permission from CGM to extend the refund payment terms over four years. The County's payments to the City will occur between 2015-2018 (see table below). The amount for 2018 is \$26,899. The amount of this payment is considered by the State to be an allowable adjustment to the Maximum Allowable Levy for the County and is therefore noted as Additional Allowable Levy in the table on page 2.

Estimated Payments Due to South Milwaukee from Milwaukee County

| Year | Amount |
|-------------|-----------------|
| 2015 | \$45,001 |
| 2016 | \$87,960 |
| 2017 | \$45,591 |
| 2018 | \$26,899 |
| TOTAL | \$205,451 |

F) Items Excluded from the Levy Limit Provision (Wis. Stat. 66.0602 (3) (e))

The County's levy for the countywide Emergency Medical Services (EMS) and the contribution to the Milwaukee County Federated Library System (MCFLS) are not subject to the levy limit. The County has the ability to levy for these items separately. The total County levy for these two items in the 2018 Requested Budget is \$2,872,140. In 2016 (2017 Budget), the County used \$1,642,868 of the EMS exclusion by levying separately for this item. Assuming the 2018 Adopted levy amount for these items is equal to the Requested amount, an additional \$1,229,272 is available under this provision. If the County continues to utilize these exclusions, and the combined levy for EMS and MCFLS drops below the amount that the County is currently levying for separately; the County would need to reduce its levy.



Scott B. Manske
Comptroller

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