

## EXPLANATION OF TERMS REGARDING UTILITY RELATED TAX CAP SITUATIONS

- Payment-in-lieu of taxes (PILOT) - Tangible property owned by the utilities is exempt from property taxes. As such, cities and towns are authorized to collect payments-in-lieu of property taxes. The maximum PILOT is based on the amount of property tax that would have been paid on the property if it were not exempt.
- Cost sharing - Building rent, overhead, salaries, wages and vehicles are just a few costs that are often shared with utilities. It is not uncommon for employee obligations to include both civil fund and utility duties (for example an employee who works for the sewage works and the street department). During the comprehensive financial planning process, the allocation of these types of costs should be reviewed.
- Public fire protection fees - Revenues help pay for oversizing of water system to allow sufficient water flow and pressure to fight fires. It includes costs associated with oversizing pipes and pumps, installing water towers and fire hydrants. Placing the cost associated with this service on the utility bill frees up tax dollars for other needs, such as public safety and street paving.