



Money Talks

WASBO Webinar Series
October 27, 2023

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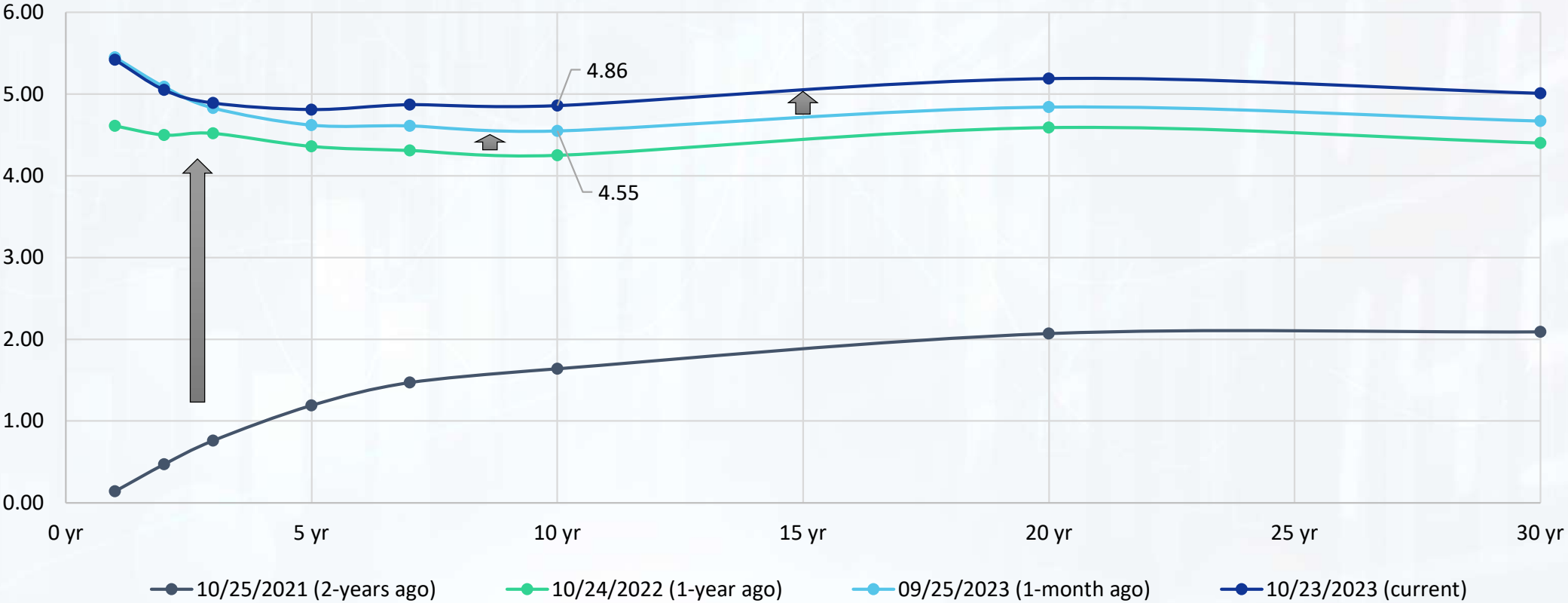
Market Update



U.S. Treasury Yield Curves (1-30 years)

Below shows U.S. Treasury yields from 1 year to 30 year at different points in time. Over the past two months we have seen a material increase in longer term rates (30-35 bps each month), which has caused the yield curve to flatten to a level not seen since July 2022. On October 23, 2023, the 10-year crossed 5.00% intraday for the first time in 16 years, before ending the day at 4.86%.

U.S. Treasury Yields (1 year to 30 year)

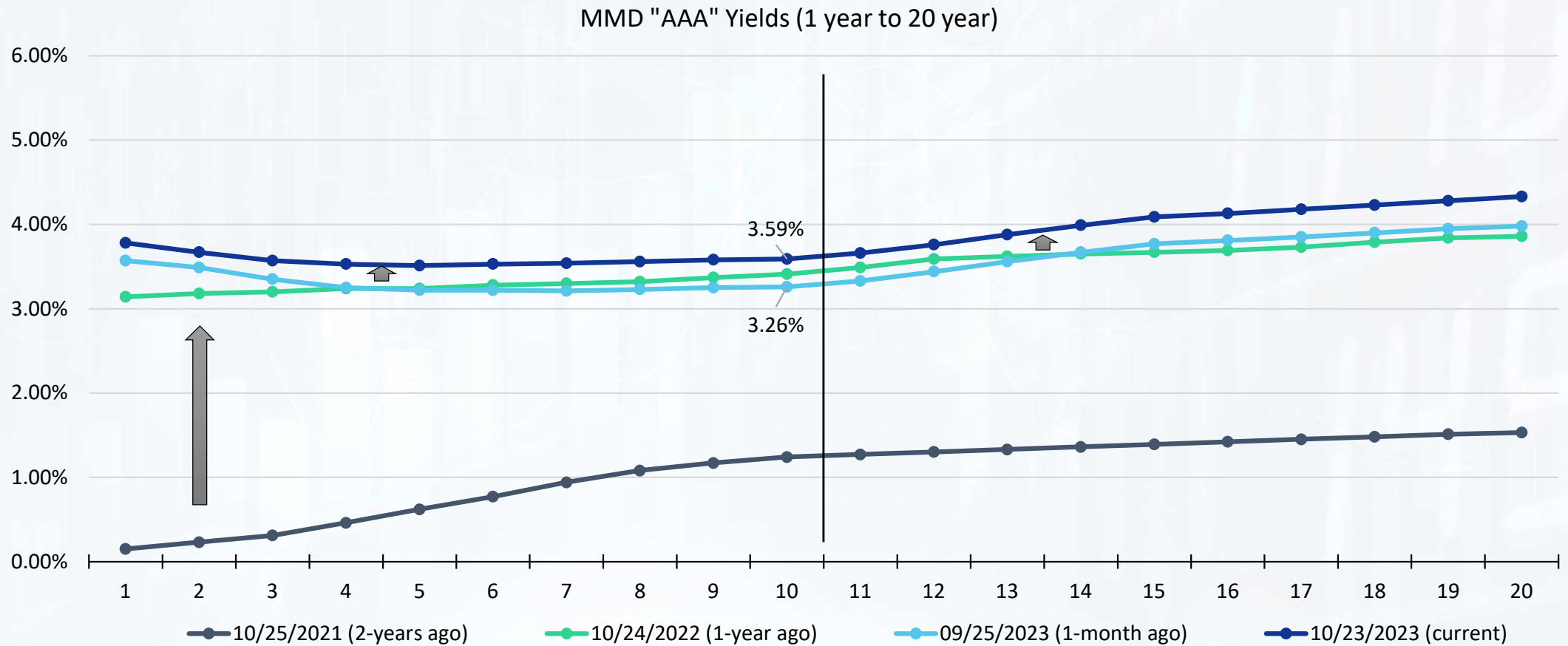


Source: U.S. Department of the Treasury



AAA Tax-Exempt Yield Curves (1-20 years)

Below shows how AAA-rated tax-exempt yields (1 year to 20 year) have changed over the past month, one year ago, and two years ago. Tax-exempt rates have moved higher largely in sympathy with US Treasury rates.

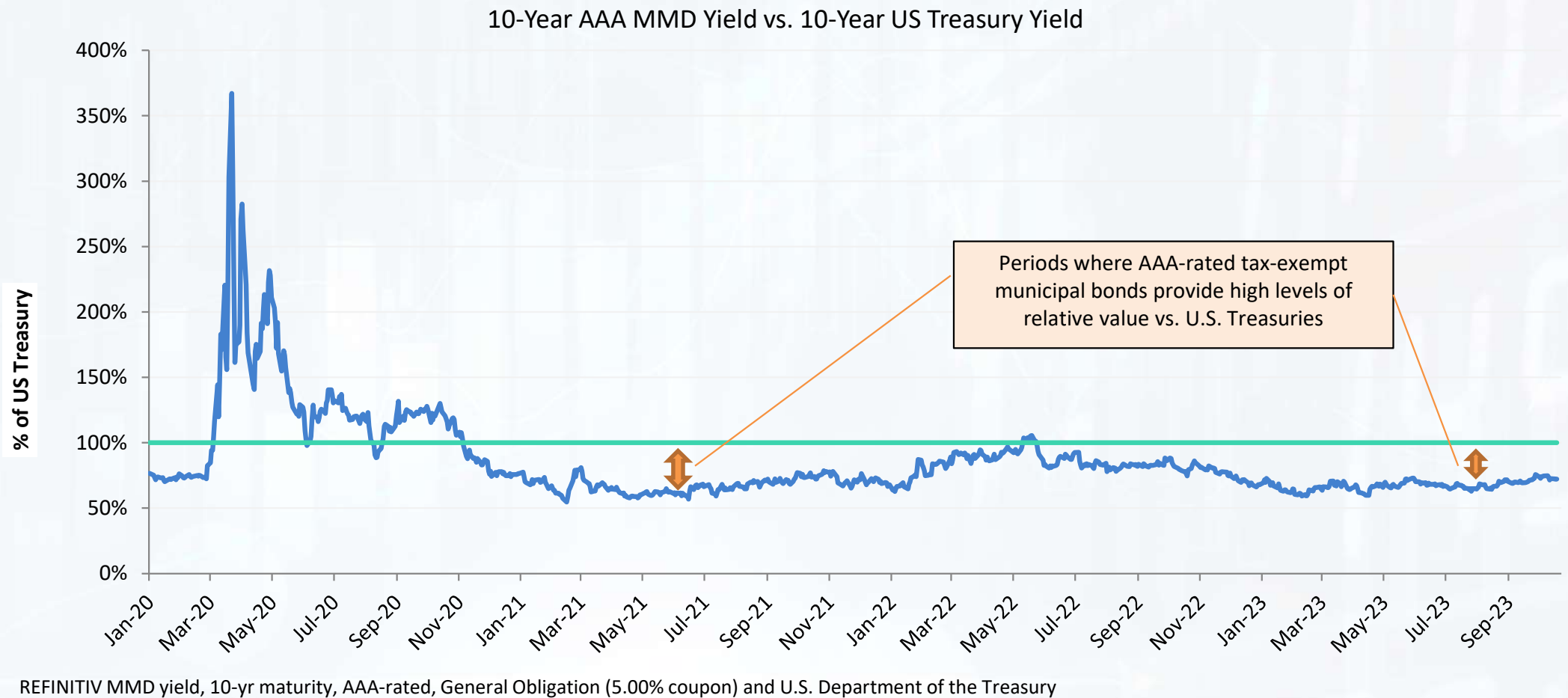


REFINITIV MMD yield for a AAA rated General Obligation (5.00% coupon).



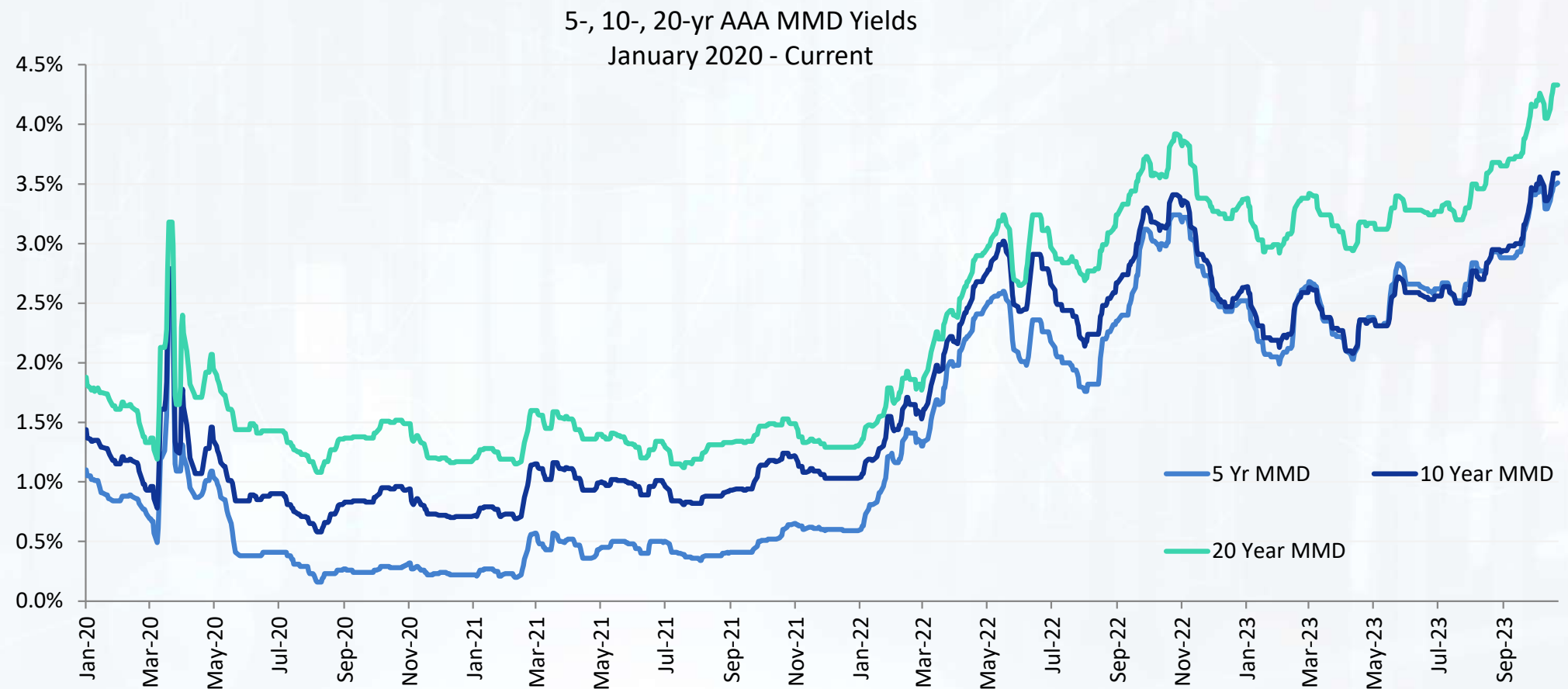
Value of Federal Tax-Exemption (2020 - current)

Below shows how AAA-rated 10-year tax-exempt yields have compared to 10-year US Treasury yields since 2020. While rates have move higher, tax-exempt municipals still offer value to issuers.



AAA Tax-Exempt Yields (2020 - current)

Below shows how AAA-rated tax-exempt yields for 5-, 10-, 20-year maturities have performed since 2020. Municipal bond rates have moved higher from their recent trading range over the past couple of months.

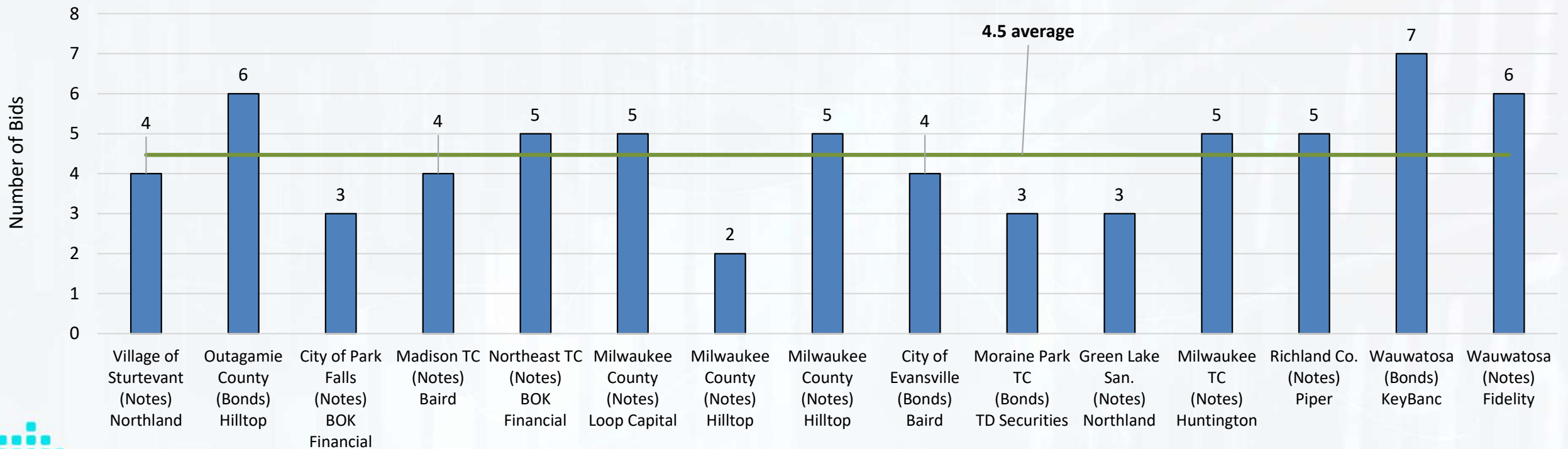


REFINITIV MMD yields for 5-, 10-, 20-yr maturities, AAA-rated, General Obligation (5.00% coupon).



Wisconsin Public Entity Competitive Debt Sales (October 2-24)

WI Competitive Sales: Number of Bids and Winning Bidder
(October 2-24, 2023)



Source: REFINITIV Municipal Market Monitor (TM3)

Above shows the number of bids for Wisconsin issues that sold so far in October via the competitive public sale process.

The average number of bids per debt issue during this period was 4.5.



Wisconsin Public Entity Competitive Debt Sales (October 2-24)

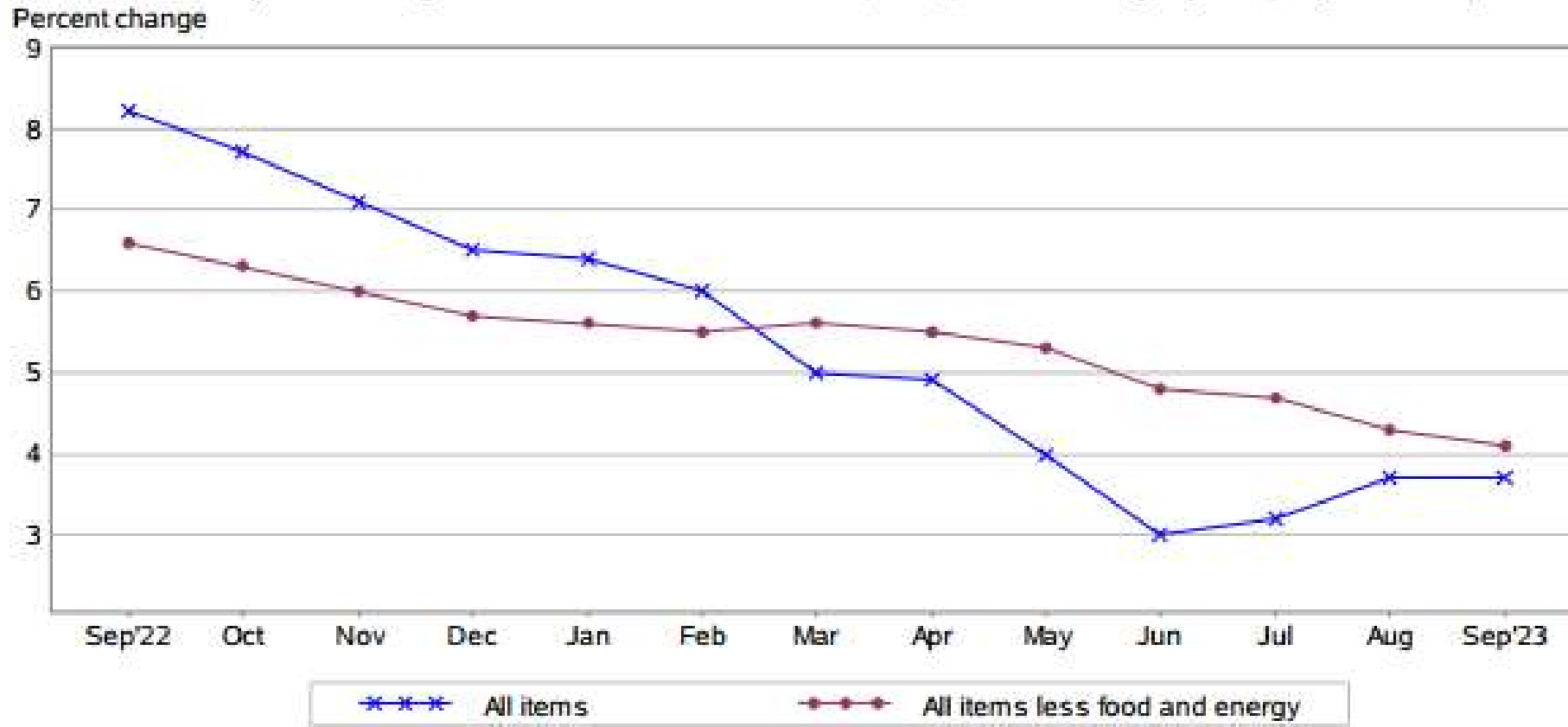
Below shows the company logos from the nine (9) different municipal securities underwriters that placed a winning bid on one of the 15 competitively sold debt issues on the previous slide. This diversity of firms is indicative of a deep and competitive market.



Inflation - Consumer Price Index (Stellmacher Index)

On October 12, the September consumer-price index (CPI) was released with the core CPI, which excludes volatile energy and food prices, continuing to decline but is still higher than the all-items index for the 7th consecutive month. Over the past 12 months core CPI increased 4.1%, and over the past 3 months increased by an annualized 3.1%. Below is from the Bureau of Labor Statistics.

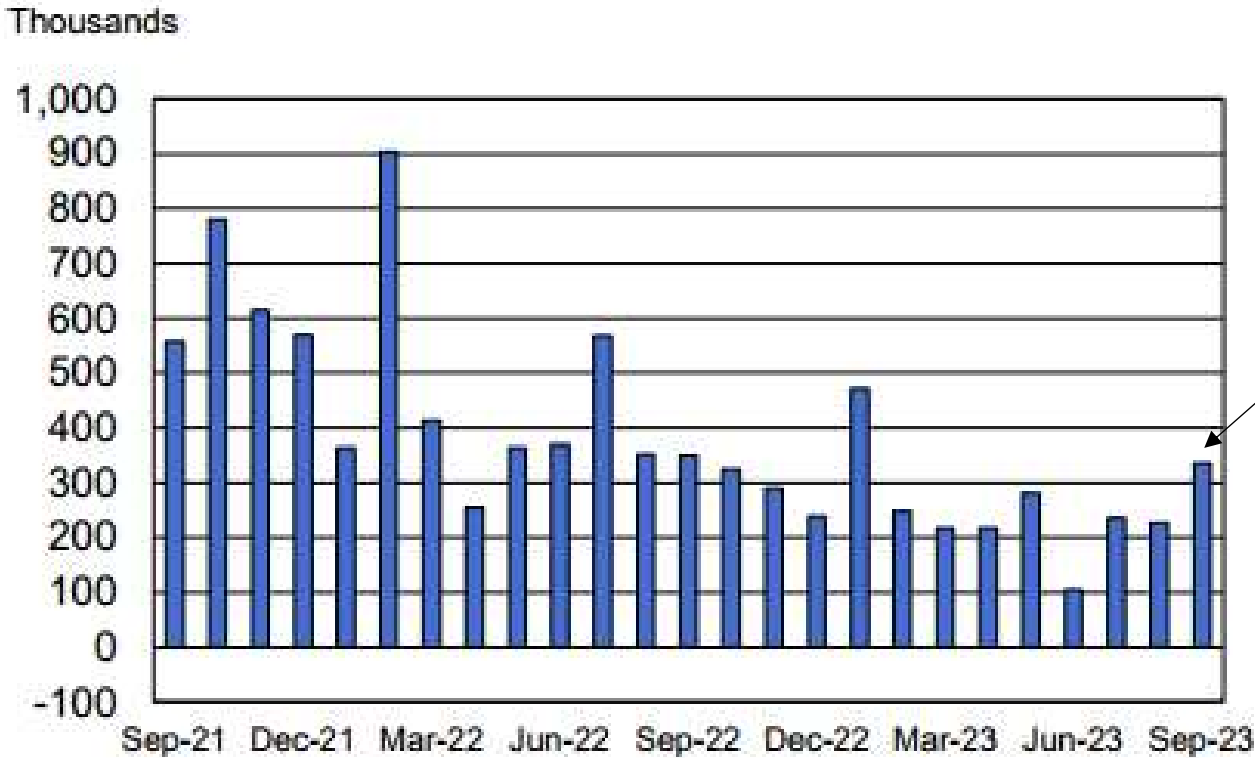
Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Sep. 2022 - Sep. 2023



Employment – Job Creation and Wage Increases

On October 6, the September Jobs Report was released. Nonfarm payrolls increased by 336,000, which was roughly twice the consensus of economists' estimates. Hourly wages for September grew by 4.2% over the past 12 months, and on a three-month annualized basis increased by 3.4%. Unemployment rate was unchanged at 3.8%. Below is from the Bureau of Labor Statistics.

Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, September 2021 – September 2023



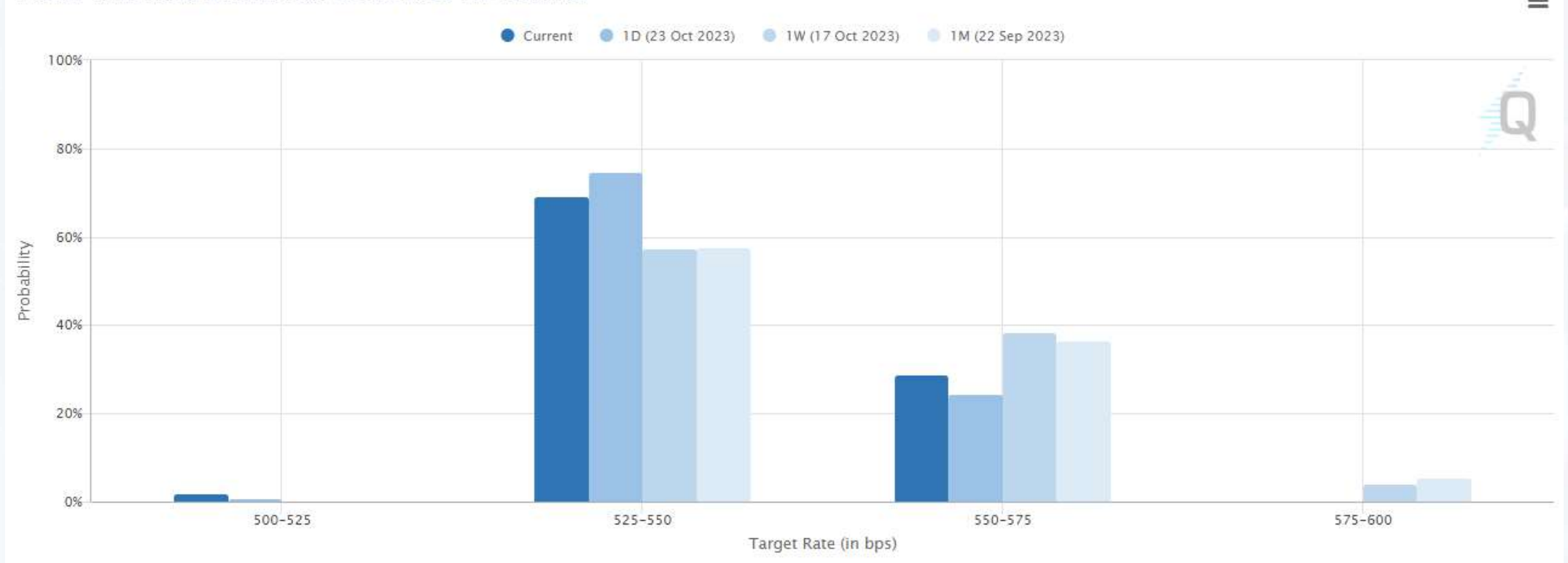
336,000 increase in nonfarm payroll for September



Federal Reserve Rate Hike Probabilities

The Federal Reserve has two remaining Open Market Committee meetings in 2023 (Nov. 1 and Dec. 13). Currently, interest rate traders are predicting no change in November and only a 1 in 4 chance of an increase in December. Moderating inflation and wage gains, along with higher long-term rates, have increased the likelihood that the Fed will not have to raise again in this cycle.

TARGET RATE PROBABILITIES FOR 13 DEC 2023 FED MEETING



US Residential Mortgage Rates

Both the 15-year and 30-year fixed mortgage rates continue to increase, with current levels not seen since 2000.



High rates are both (i) softening demand, and (ii) limiting the inventory of homes on the market, because homeowners with low rates are unwilling to sell and move. The small supply is pushing home prices higher in much of the U.S.

Year to date, sales of previously owned homes are on track to be the lowest since at least 2011 (National Association of Realtors).

Mortgage applications fell in the week ended Oct. 13 to their lowest level since 1995, according to the Mortgage Bankers Association.

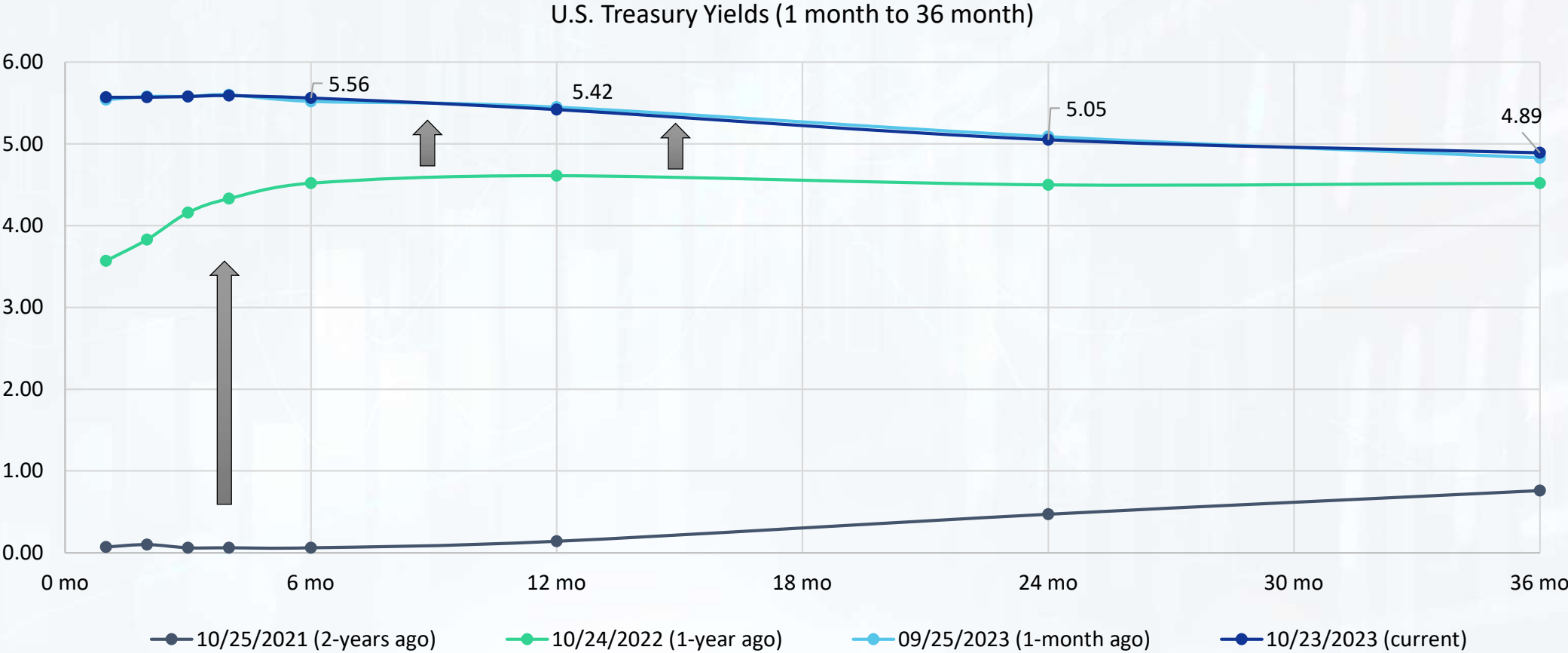


Investment Update



U.S. Treasury Yields (1-month to 36 months) (Typical of Local Gov. Investment)

Below shows how short-term U.S. Treasury yields (1-month to 36-month) have changed over the past month, past year, and two years ago. Short-term rates have changed little over the past month.



Source: U.S. Department of the Treasury



Investment Rates as of October 24, 2023

The below table provides example rates for several permissible investment options including: (i) current WISC liquid rate, (ii) Certificates of Deposit, (iii) U.S. Treasuries, and (iv) U.S. Agencies.

Sample School District

1,000,000.00	Investment Amount
10/24/23	Date of Indication

MATURITY DATE	DAYS	MATURITY AMT	Rate	INTEREST EST.	WISC-IS*	CDs**	UST**	AGY**
01/23/24	91	\$ 1,000,000	5.48%	\$ 13,660	5.33%	5.48%	5.45%	5.38%
04/22/24	181	\$ 1,000,000	5.56%	\$ 27,572	5.33%	5.35%	5.56%	5.36%
07/22/24	272	\$ 1,000,000	5.62%	\$ 41,903	5.33%	5.62%	5.47%	5.45%
10/23/24	365	\$ 1,000,000	5.72%	\$ 57,220	5.33%	5.72%	5.41%	5.40%
04/21/25	545	\$ 1,000,000	5.66%	\$ 84,497	5.33%	5.66%	5.24%	5.25%
10/24/25	731	\$ 1,000,000	5.49%	\$ 109,930	5.33%	5.49%	5.08%	5.15%
04/21/26	910	\$ 1,000,000	5.17%	\$ 128,796	5.33%	5.17%	4.97%	5.02%
10/24/26	1096	\$ 1,000,000	5.10%	\$ 153,140	5.33%	5.10%	4.91%	4.98%

Schedule shown is an illustration only and investment rates are general market rates for illustration only.

Investment rates are indicative as of 10/24/23. Investment Rates at the time of execution may vary, based on market conditions at that time.

*WISC-IS rate shown is the daily rate from 10/23/23.

**CDs/UST/AGY rates shown are gross of fees.

<https://investwisc.com/>



Timely Topic – Understanding the Tax Bill



Example Property Tax Bill

Below is the top portion of an example property tax bill prepared by the Wisconsin Department of Revenue.

STATE OF WISCONSIN
REAL ESTATE PROPERTY TAX BILL FOR 2023
VILLAGE OF BADGER
AMERICA CO.

BILL AND SUE HOMEOWNER
PO Box 123
BADGER WI 58425

- IMPORTANT:
- Correspondence should refer to tax number.
 - See reverse side for important information.
 - Be sure this description covers your property. This description is for property tax bill only and may not be a full legal description.

LEGAL DESCRIPTION
PART OF THE FIRST ADDITION TO THE SECOND
ADDITION CONSISTING OF 1 LOT

Not part of the bill template.
Prints only on bills for property
located within a Drainage District.

Drainage District Notification: \$

PARCEL # 12-116-0029-0000



Understanding the Tax Bill - Assessments

The **Assessment Ratio** is “Total Assessed Value” divided by “Total Est. Fair Mkt” (i.e., the Equalized Value) as determined by the State

This can be a key indicator of a potential near-term reassessment if the ratio is too low

- A reassessment doesn't mean a communities property tax bills will skyrocket
- Due to revenue limits, a reassessment means how taxes are apportioned will shift in a give year

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PARCEL # 12-116-0029-0000

Assessed Value Land	Ass'd. Value Improvements	Total Assessed Value	Ave. Assmt. Ratio	Net Assessed Value Rate (Does NOT reflect credits)	.017243455
22,000	76,900	98,900	98.9000000		
Est. Fair Mkt. Land	Est. Fair Mkt. Improvements	Total Est. Fair Mkt.	<input type="checkbox"/> A Star in this box means Unpaid Prior Year Taxes	School taxes reduced by school levy tax credit	185.01
22,250	77,750	100,000			



Tax Apportionment Example

The apportionment of Property Tax adjusts each year based upon equalized values

- City of A will see an **increase** of taxes apportioned
- Village of B will see a **decrease** of taxes apportioned

ABC School District Equalized Values

	Fall 2021 Values	Fall 2022 Values	% Increase
Town of A	\$16,024,878	\$19,107,150	19.23%
Village of A	\$68,248,718	\$69,689,060	2.11%
City of A	\$197,641,833	\$236,337,921	19.58%
Town of B	\$1,373,842	\$1,768,166	28.70%
Village of B	<u>\$243,197,900</u>	<u>\$265,518,300</u>	<u>9.18%</u>
Total:	<u>\$526,487,171</u>	<u>\$592,420,597</u>	<u>12.52%</u>

ABC School District Apportionment

	Fall 2021 Values	\$15M Levy	Fall 2022 Values	\$15M Levy
Town of A	3.04%	\$456,560.36	3.23%	\$483,790.15
Village of A	12.96%	\$1,944,455.30	11.76%	\$1,764,516.47
City of A	37.54%	\$5,630,958.66	39.89%	\$5,984,040.45
Town of B	0.26%	\$39,141.75	0.30%	\$44,769.70
Village of B	<u>46.19%</u>	<u>\$6,928,883.93</u>	<u>44.82%</u>	<u>\$6,722,883.24</u>
Total:	<u>100.00%</u>	<u>\$15,000,000.00</u>	<u>100.00%</u>	<u>\$15,000,000.00</u>



Net Assessed Value Rate

The **Net Assessed Value Rate** is the same as dollars per \$1,000 or assessed property value.

- Calculated by adding each taxing jurisdiction’s mill rate less the State Credit
- The State Credit is determined by a statutory formula and varies from year to year
 - Part of the State Credit consists of a School Levy Credit

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22,250	77,750	100,000		185.01



School Levy Credit

The **School Levy Credit** is a key piece of the actual property tax bill

- 2023 Certified Levy's will be impacted by an increase of \$255 million for the School Levy Credit
- This amount will vary from year to year

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School Levy Credit

The **School Levy Credit**, continued

- As listed on every tax bill, it is important to note that individual tax bills are shown as “net” from one year to the next taking into consideration the School Levy Credit
- This means the impact of any increase/decrease due to the School Levy Credit will visually show as net on the actual tax bill

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22,250	77,750	100,000		185.01	
Taxing Jurisdiction	2022 Est. State Aids Allocated Tax Dist.	2023 Est. State Aids Allocated Tax Dist.	2022 Net Tax	2023 Net Tax	% Tax Change
AMERICA CO	16,632	17,466	317.60	328.20	3.3%
VILLAGE OF BADGER	116,684	117,737	183.29	183.32	.02%
SCH. DIST. #3150	659,459	569,823	1,220.87	1,188.45	-2.6%
TECH. COLLEGE #56	20,283	22,326	150.06	173.21	15.4%
Total	813,058	727,352	1,889.09	1,890.38	.01%
	First Dollar Credit		79.76	74.64	-6.4%
	Lottery & Gaming Credit		105.56	121.08	14.7%
	Net Property Tax		1,703.77	1,694.66	-0.5%



First Dollar Credit

The **First Dollar Credit** is a credit for real estate property owners that have improvements on the property

- The First Dollar Credit provides direct property tax relief for property owners on their property tax bill
- Different than the School Levy Credit, this is provided at the bottom of the bill as a net reduction to the entire bill

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Lottery & Gaming Credit

The **Lottery & Gaming Credit** is another tax credit.

- The Lottery & Gaming Credit is a credit to provide direct property tax relief on the individual tax bill. Lottery proceeds are in a segregated state fund.
- Different than the School Levy Credit, this is provided at the bottom of the bill as a net reduction to the entire bill.

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Make Check Payable to: JANE DOE TREASURER, VILLAGE OF BADGER RR 9, PO BOX 6890 BADGER WI 58425	Full Payment Due On or Before January 31	Net Property Tax	\$1,694.66
	\$ 2,053.68		
	Or First Installment Due On or Before January 31	GARBAGE	359.02
Second Installment Payment Payable To: JOHN SMITH, COUNTY TREASURER AMERICA COUNTY COURTHOUSE BADGER WI 58425	And Second Installment Due On Or Before July 31		
	\$ 847.33		



Understanding the Tax Bill - Key Items to Remember

Understanding some of the key factors of the property tax bill will help you respond to questions or concerns once tax bills are released:

- Any municipalities going through a reassessment?
- How the District levy fits into the Net Assessed Value Rate
- How the School Levy Credit is reflected on the tax bill
- The First Dollar Credit
- The Lottery & Gaming Credit
- The overall net property tax amount
- Homestead Tax Credit

Think about any of these pieces that you can communicate ahead of tax bills being released



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