

P.I.L.O.T CHARGE 101

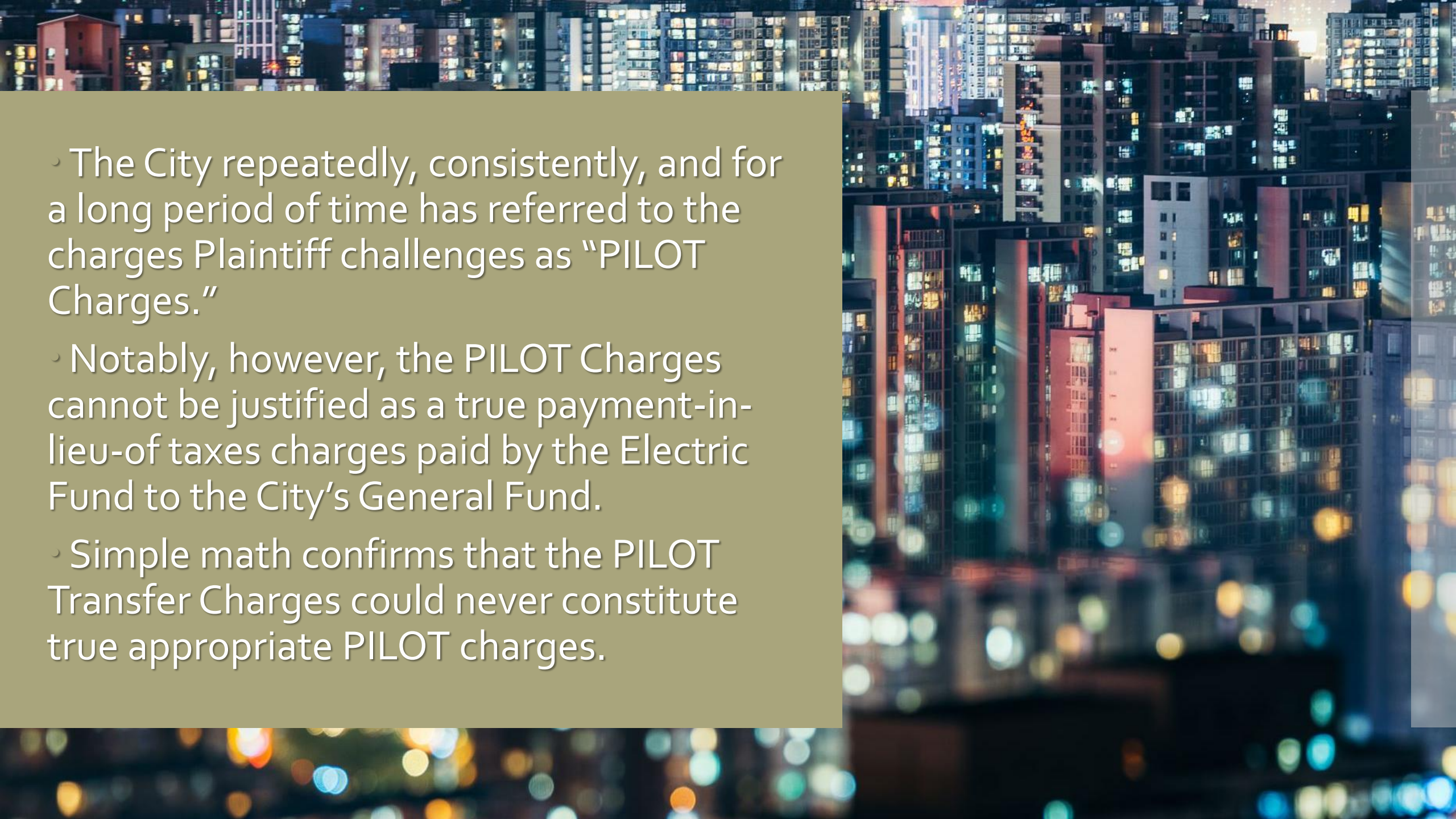
WHY PLAINTIFF ASSERTS
THAT THE CITY OF
COLDWATER'S "PILOT
TRANSFER CHARGE"
CANNOT BE AND IS NOT
A TRUE P.I.L.O.T
CHARGE



What is a true P.I.L.O.T. Charge?

A true payment-in-lieu-of taxes charge reasonably approximates the amount of property taxes that a public entity would pay if it were a private and not public entity.

- “P.I.L.O.T” means “Payment In Lieu of Taxes,” which is typically assessed against a property that is tax exempt to recover the value of the goods and services a municipality provides to the property that otherwise would be covered by taxes paid by that property.
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- A PILOT Charge therefore should be a reasonable approximation of what the tax-exempt payer would have paid in taxes if the payer (here, the municipal utility) was not exempt from the payment of taxes.
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- The City repeatedly, consistently, and for a long period of time has referred to the charges Plaintiff challenges as “PILOT Charges.”
 - Notably, however, the PILOT Charges cannot be justified as a true payment-in-lieu-of taxes charges paid by the Electric Fund to the City’s General Fund.
 - Simple math confirms that the PILOT Transfer Charges could never constitute true appropriate PILOT charges.



**THE CITY'S
"PILOT"
CHARGE IS
COMPLETELY
BOGUS***

*As Plaintiff asserts in his complaint

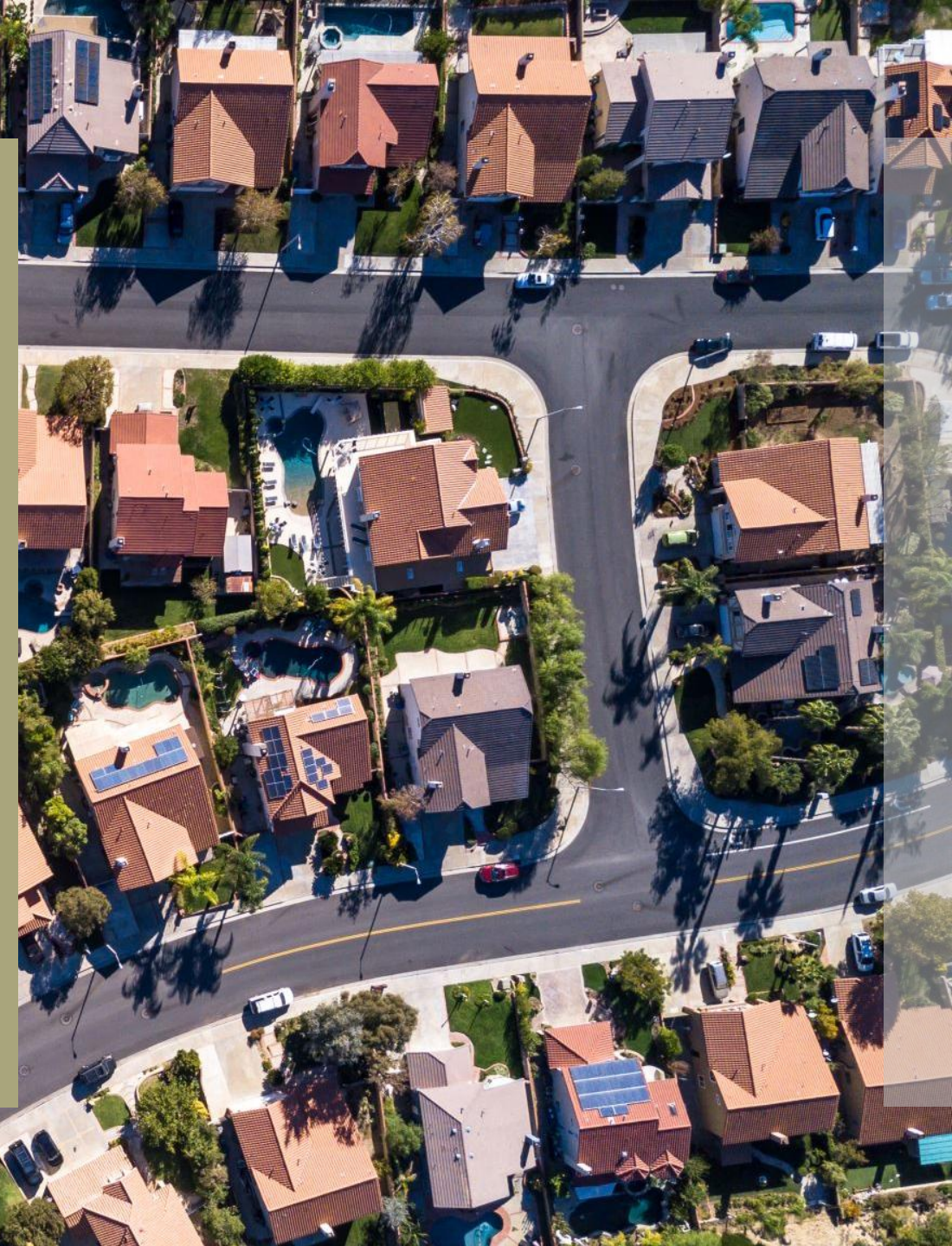
- To determine the PILOT Charge that the City's Electric Utility would pay—if one were actually imposed—one must first determine the taxable value of the Electric Utility's property.
- According to the City's FY 2025 financial statements, the "Capital assets, less accumulated depreciation" of the Electric Utility as of June 30, 2025 was \$41,079,829. See FY 2025 financial statements at p. 22.
- The total Capital asset value (without considering depreciation) at the same time was \$66,006,277. See *Id* at p. 46 (showing accumulated depreciation of \$24,926,448 for the Electric Utility).



• The City's total tax rate is 13.9 mills. See City's FY 2025 financial statements at p. 32.

• A mill is 1/1000 of the taxable value of a property. That means that Coldwater property owners annually must pay \$13.90 for every \$1000 in taxable value.

• Taxable value is generally commensurate with "State Equalized Value," which is supposed to be, at most, 50% of the true cash value of the property (except as limited by the Headlee Amendment). See the City's website explaining to citizens the "value definitions" for property tax assessments).

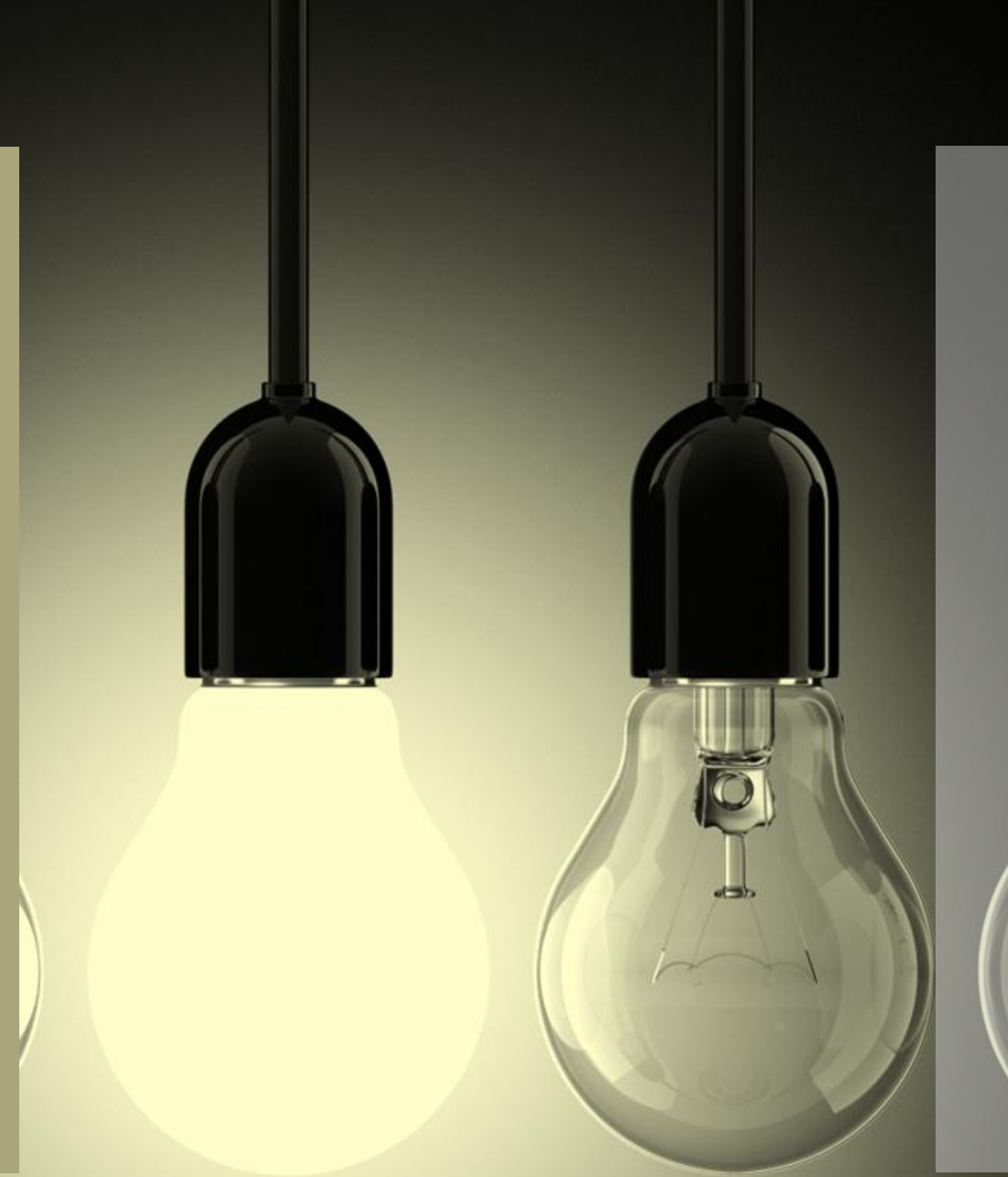


- The maximum taxable value of the Electric Utility assets thus is \$33,003,138 ($\$66,006,277 \times 0.5$)

- If all of the assets of the Electric Utility were taxable, the Electric Utility would pay around \$458,743 annually in taxes ($\$33,003,138/1000 \times 13.90$).

- Notably, the \$458,743 amount is roughly commensurate with the PILOT Charge the City should have imposed based upon the “gross income” of the Electric Utility – *i.e.*, revenues minus cost of goods sold.
- Indeed, the “gross income” of the Electric Utility under this definition for FY 2025 was \$11,939,576 (\$51,067,427 minus \$39,127,851 in direct expenses). See FY 2025 financial statements at p. 23. 6 ½ percent of \$11,939,576 is \$776,072.

- Instead, in FY 2025, the City imposed PILOT Charges on Electric Utility customers in excess of \$3,000,000, more than 6 ½ times the maximum amount of taxes the City's Electric Utility would pay if it were not tax-exempt.
- These numbers are **very** conservative, because they assume that **all** of the capital assets of the Electric Utility would be taxable, which obviously is not the case.





For more information see
the court filings posted at
www.kickhamhanley.com