

In 2006, the State of Wisconsin placed limits on the amount a Village can levy. A levy is the amount a Village can tax the taxpayers of the municipality. This amount is spread out equally among the taxpayers based on assessed values of property. A low spending Village at the time of the levy limit caps was forced to remain at a lower level, limiting the ability to increase taxes to cover the increasing monetary demands, i.e., public safety, road construction and maintenance, fuel, equipment maintenance, salaries, utilities, and services for our citizens. These demands have simply overrun our allowed spending. The only levy increase a Village is allowed each year is based on the percent of new construction, which has historically been minimal.

Historically, the Village of River Hills has maintained a very low mill rate. The Village did not utilize the full levy amount that the state levy limit law allowed, often levying a significant amount less than what was allowed. The Village has missed opportunities in doing so because in 2010, Wisconsin State Legislature froze the amount of the tax levy. These levy limits have put a significant strain on current and future municipal budgets across the state.

Wisconsin Statute Section 66.0602 limits the increase in local property tax levy to no more than the greater of (a) 0% of last year's actual levy or (b) a percentage equal to the percentage change in equalized value due to new construction less improvements removed plus other exceptions like new debt service.

The 2022 budget's net new construction rate was 0.324% or \$8,261.61. The Village was limited to increase its levy \$8,261.61 whereas all of the expenditures for the budget were over \$200,000. After a series of cuts the actual overage was reduced to \$121,084. The Village used the reserves (unassigned account) to cover the shortfall. The unassigned account has been reduced to \$1,418,600 as of 12/31/22. If the Village were to continue to use fund balance to balance future budgets, the balance would be reduced to an estimated \$283,000 after fiscal year 2024 is completed, leaving an estimated fund balance of 7%. The reduction in fund balance jeopardizes our standing for borrowing of funds that currently pay for road projects, squad cars, police department equipment, dpw equipment and other items.

The 2023 budget's net new construction rate is 0.787% or \$20,197. The Village is limited to increase its levy \$20,197 whereas all of the expenditures for the budget are estimated at close to \$300,000.

The cost of doing business such as annual cost of living, increases to people's paychecks, increasing cost of health, dental and vision insurance, all of those costs are outpacing what we're legally able to increase taxes by.

While public school districts have long used referendums to increase tax revenues, it's a less common tool for village governments. However, we are seeing more referendums now as communities are unable to continue to operate with the limits that the state has imposed.