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Office of the City Clerk

**COMMITTEE OF THE WHOLE**  
**Thursday, June 4, 2026**  
**River Club of Mequon**  
**12400 N. Ville Du Parc Drive**  
**8:00 A.M.**

**Agenda**

1. Call to Order; Roll Call
2. Introduction; Workshop Overview
3. Financial Policies
4. Tax Increment District #3
5. City Facilities
6. Long-Term Financial Planning
7. Potential Closed Session
  - a) Public Safety Building(s) Analysis for Possible Use(s) and/or Acquisition(s) of Site(s). The Committee of the Whole may convene into closed session pursuant to Wis. Stat. § 19.85(1)(e) for the purpose of deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, and then may reconvene into open session to take such action as it may deem appropriate.
8. Alternative Revenues
9. Other Matters; Workshop Wrap-Up
10. Adjourn

*Dated: May 29, 2026*

*/s/ Andrew Nerbun, Mayor*

Notice is hereby given that a quorum of other governmental bodies may be present at this meeting to present, discuss and/or gather information about a subject over which they have decision-making responsibility, although they will not take formal action thereto at this meeting.

Persons with disabilities requiring accommodations for attendance at this meeting should contact the City Clerk's Office at 262-236-2914, twenty-four (24) hours in advance of the meeting.

Any questions regarding this agenda may be directed to the City Administrator's Office at 262-236-2941, Monday through Friday, 8:00 AM – 4:30 PM.



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**Administration**

**TO: Mayor Andrew Nerbun & Members of the Mequon Common Council**  
**FROM: William Jones, City Administrator**  
**DATE: June 4, 2026**  
**SUBJECT: Long-Term Financial Planning Workshop #2 - June 4, 2026**

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On Thursday, June 4, the Common Council will convene an off-day Committee of the Whole meeting to continue development of a long-term financial plan. This workshop-style meeting, which is patterned after similar strategic and financial planning retreats the Council has conducted in 2022, 2024 and 2025, will involve a review and discussion of additional information compiled by staff and representatives from both Ehlers & Associates and FGM Architects. The meeting will again be held off-site, and this year's venue is the River Club of Mequon, 12400 N. Ville du Parc Drive. Recommended attire for the meeting is business casual, and a continental breakfast will be available for meeting attendees beginning at 8:00 a.m. As with any meeting involving the Common Council, the public are also welcome to attend.

An overview of the day's events, along with some additional background information pertaining to the topics scheduled for discussion, continues below.

**1. CALL TO ORDER; ROLL CALL**

As is customary during all meetings of the Common Council, Mayor Nerbun will serve as Chief Presiding Officer. At 8:30 a.m., the meeting will promptly be called to order, and the City Clerk will take the roll.

**2. INTRODUCTION; WORKSHOP OVERVIEW**

Following roll call, the Mayor and City Administrator will share some brief remarks, and provide an overview of the day's events, including a review of the meeting agenda. Various housekeeping matters will also be addressed, relative to breaks, refreshments, etc.

To assist members of the Council in preparing for Thursday's meeting, enclosed are several news articles and reports that may provide additional context related to some of the near-term factors impacting financing strategies for local governments across Wisconsin. These include:

- An article entitled The Long Game published in the February 2026 edition of *Government Finance Review* that highlights the benefits associated with multi-year financial planning
- A report published in January 2026 by *The Wisconsin Policy Forum* entitled Wisconsin Tax Burden Remains at Record Low as Incomes Rise, which examines the continued, gradual decline of the government tax burden within the state

- A graphic published by *The Badger Institute* in September 2025, showing per-person spending amongst Wisconsin's 20 most populous counties, including Ozaukee County
- Informational Paper #14 published by the State of Wisconsin's Legislative Fiscal Bureau, entitled County and Municipal Expenditure and Revenue Limits, which provides a detailed summary of **County and Municipal Levy Limits** (see pages 2-5)
- Assessed Values, Annualized Increases and Corresponding Tax Rates within the City of Mequon for the Period 1980-2025

### **3. FINANCIAL POLICIES**

At last year's opening financial planning meeting, it was pointed out that a couple of the City's financial policies required updating, to more closely align with current practices/regulations. Accordingly, staff in the Finance Department has worked to craft the necessary amendments, which are included within an enclosed memorandum from City Finance Director Brenda Arnett. Pending the Committee's concurrence with the amendments proposed, a resolution authorizing adoption of the recommended changes will be forwarded to the Finance-Personnel Committee and the Common Council in July. As further indicated in Director Arnett's correspondence, a copy of the City's existing Reserve Requirements (Financial Statement #3) is also included for reference purposes. An updated chart depicting Ratings Factors of Comparable Communities as prepared by Ehlers & Associates, which has been shared with the Council during previous meetings, is also enclosed.

### **4. TAX INCREMENT DISTRICT #3**

Following a review of proposed changes to the City's financial policies, a brief update will be provided on the status of Tax Increment District #3 (TID #3). After the formal dissolution of Tax Increment District #2 in 2024, TID #3 is next scheduled to close by the statutory deadline of April 15, 2028. As part of this briefing, Community Development Director Kim Tollefson will provide a progress report on the status of various public improvements undertaken within the district over the last several years (enclosed), which are being funded in part by \$2.7 million in debt proceeds that were borrowed in 2022. Additionally, Senior Municipal Advisor Brian Roemer from Ehlers & Associates will provide the Committee with an updated financial projection, including any residual income (cash balance) that is expected at closure, as well as estimated City tax revenue that will become available upon the district's closure. Lastly, Finance Director Brenda Arnett will update the Committee regarding the recent completion of a required 100% audit of TID #3 (enclosed), and the proposed treatment of three (3) advances made from the City to the District in fiscal years 2013, 2014 and 2016.

### **5. CITY FACILITIES**

Per feedback received at last year's workshop, time has been set aside at Thursday's meeting to review and discuss information related to three (3) of the City's nine (9) existing facilities - the Public Safety Building, the East Side Fire Station, and the Community Pool. This portion of the meeting will build upon previous work and conversations regarding the future of these three assets, which have included: 1) a Space Needs Analysis for both the Police and Fire Departments; 2) a Fire & EMS Response Time Study; and 3) an appraisal of the former Mequon Jewish Community Center (JCC) Pool, among others. More recently, the City has concluded a revaluation of all taxable property within Mequon, adopted a master plan for the Civic Campus, completed an updated assessment of the Public Safety Building, including its potential future use as a stand-alone Fire Station (Pre-Design Study), and issued a Request-for-Proposals (RFP) for the design of a new community pool.

Accordingly, Andrew Mayo, Senior Associate with FGM Architects, and Brian Roemer from Ehlers will present various options and updated cost projections that exist for renovating, reconstructing or newly constructing the appropriately sized buildings necessary for both the police and fire departments, as well as potential debt service scenarios related to these needs. It is anticipated that Ehlers will also be sharing results from an Impact Fee Analysis the Committee requested at last year's workshop, as part of an effort to defray a portion of these anticipated construction costs. Enclosed for the Committee's review is an article published by Ehlers in December 2024 that highlights best practices for implementing impact fees.

Additionally, Public Works Director Kristen Lundeen will provide the Committee with an update regarding the process and timeline that are currently underway for both the design and construction of a new community pool. In connection with this portion of the agenda, enclosed for the Committee's review is an Executive Summary of the Public Safety Building Pre-Design Study performed by FGM, as well as a memorandum and accompanying pool project timeline prepared by Director Lundeen.

## **6. LONG-TERM FINANCIAL PLANNING**

At last year's financial planning workshop, Ehlers presented the initial components of a five-year financial management plan for the broader City organization, and Thursday's meeting will include an update and a continuation of last July's discussion. As noted, projections have been adjusted to reflect completion of the City-wide revaluation in 2025, as well as adoption of the City's budget for 2026. Additionally, the anticipated closure of TID #3 is also reflected in the projections presented for both capital/debt service, as well as the City's general operating budget. Mr. Roemer will again lead this portion of the meeting with a presentation that provides members of the Committee and staff with a recap of the process that is being followed towards development of the plan, and that highlights updated projections relative to the City's tax levy for both operating and capital expenses over the next several years.

## **7. POTENTIAL CLOSED SESSION**

As indicated in the enclosed meeting materials, a placeholder has been included on the workshop agenda to allow for members of the Committee to convene in closed session, should there be a desire to discuss the potential acquisition or disposition of certain properties related to the future siting of one or both of the City's existing public safety buildings. Notably, a motion to enter closed session can be entertained at any time during the workshop meeting, should discussion warrant such. Staff will be prepared to provide information shared during previous closed session meetings, where the topic of related property acquisition or disposition has been addressed.

## **8. ALTERNATIVE REVENUE SOURCES**

Following lunch, time has been set aside at next Thursday's workshop for both discussion, as well as questions. As noted during last summer's workshop meeting, the City currently derives more than 68% of the revenue within its General Fund (e.g., police, fire, public works, library, parks, etc.) from property taxes. While an increase in state shared revenue beginning in 2024, as well as additional revenue received beginning in 2025 to offset recent elimination of the personal property has assisted in broadening the City's tax base, the fact remains that nearly \$2 of every \$3 spent to support the general operations of the City are derived from real estate taxes.

To this end, and in accordance with direction received at last year's workshop, City staff has worked to compile additional information on two potential alternative revenue sources. As the Committee will recall, REVPAR, Inc., the firm selected in 2025 to conduct a hotel feasibility study for the City, was also

contracted to conduct an analysis of area lodging taxes, given that Mequon does not currently assess a room tax. This study, which was recently completed and has been reviewed by the Economic Development Board, is enclosed along with a memorandum from Community Development Director Kim Tollefson. Supplementing this memorandum and report is an article published late last year by the *Hotel Management Network* that provides a broader indication of sample lodging taxes on a nationwide basis.

Also enclosed is a memorandum from Finance Director Brenda Arnett, which provides additional information on vehicle registration fees, which is the second potential revenue source the Committee was interested in examining further. Accompanying this memorandum is a report published by the *Wisconsin Policy Forum* in November 2025 regarding the more recent adoption of vehicle registration fees by a number of local governments across Wisconsin.

Directors Tollefson and Arnett will each provide an overview regarding these two alternative revenue options and be available to answer questions from the Committee. Notably, **Developing Alternative Revenue Streams** was an identified objective in the City's inaugural Strategic Plan (2022-2025), and the Common Council most recently doubled the City's existing Park Impact Fee from \$900 per new residential dwelling unit to \$1,793 per dwelling unit last May.

#### **9. OTHER MATTERS; WORKSHOP WRAP-UP**

Should additional time be needed to continue conversation on any of the topics discussed earlier in the day, time has been set aside near the end of the meeting to reconsider such. As indicated, Thursday's second workshop is likely the first of 2-3 meetings the Council will convene this year to complete development of the long-range financial plan, and it is anticipated that additional follow-up meetings will be held this summer and into the fall. Beyond restating any future action steps identified during Thursday's meeting, staff will also provide a brief update on the process planned for developing and considering the 2027 budget, and how to coordinate such with development of the long-term financial plan.

#### **10. ADJOURNMENT**

Upon completing discussion of all items listed on the meeting agenda, Mayor Nerbun will seek a motion to adjourn. Upon a second and corresponding majority vote, the meeting will conclude.

# The Long Game

Multi-year financial plans are good government and good politics

BY DAVID R. EICHTHAL

**E**conomic uncertainty and federal budget cuts are creating a gathering storm for state and local government budgets. At the same time, elected leadership in state and local governments is responding to demands for government to do more to fund essential services and address what many see as an affordability crisis.

Government finance professionals have long recognized the value of multi-year financial planning as a budgeting tool. But multi-year financial planning can be both good government and good politics as elected leaders at the state and local level need to square the circle of addressing public demands for more while facing stiff budgetary headwinds.

## The gathering storm for state and local government budgets

State and local governments are used to dealing with limited resources—it has been the norm for most of the better part of the last 50 years. But the challenges in the year ahead are different.

An August 2025 report by the Urban Institute noted that the fiscal outlook for states was increasingly uncertain

and that state finance directors were projecting weak revenue growth in 2026. The report attributed this to federal policy changes, as well as changes in state policy, and it specifically cited the potential impact of tariffs.

In September 2025, the State of Washington projected that the cumulative impact of the Liberation Day tariffs would be a loss of \$2.2 billion in revenue by FY 2029. Nationally, the Congressional Budget Office reported that the Liberation Day tariffs were slowing economic growth and likely would increase costs.

If trade policy is leading to budget uncertainty, federal spending policy is putting states and local governments on the brink.

After massive investment in state and local governments under the Biden Administration, the federal government is reversing course. Funding from the American Rescue Plan must be expended by the end of next year, and there isn't even a discussion about a next round of funding for the State and Local Fiscal Recovery Fund. Tax credits for clean energy and clean vehicles that state and local governments were able to access under direct pay have largely been eliminated. And Bipartisan Infrastructure

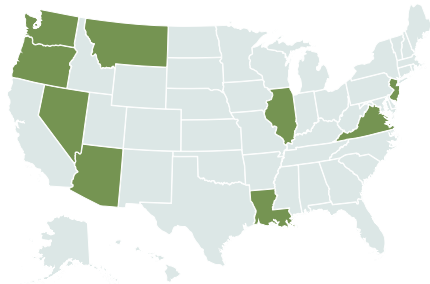
Law funding goes through FY 2026, but awards and funding have been subject to rescission and termination.

The One Big Beautiful Bill Act also included significant cutbacks in funding for Medicaid and SNAP that essentially sought to pass those costs on to state governments. According to KFF, nine states—Arizona, Illinois, Louisiana, Montana, Nevada, New Jersey, Oregon, Virginia, and Washington—will lose 18 percent or more of Medicaid funding. And in states like Colorado, where counties pick up some of the state match for Medicaid, cutbacks will create fiscal pressure at the local level as well.

According to the Georgetown Center on Poverty and Inequality, in 15 states, the share of the state budget required to fund SNAP will increase by more than 300 percent. The cost increases will be highest in states with large populations and the budgets to match, such as California and Florida, where the increase is projected to be at least \$2.5 billion and \$1 billion, respectively.

When you add it all up, the impacts are extraordinary. An August 2025 report by the City of New York State Comptroller forecast a cumulative budget gap of \$34.3 billion through 2029.

BY THE NUMBERS | Examples of Federal Spending Policy Changes Affecting State Budgets



In the One Big Beautiful Bill Act, **9 states** will lose **18% or more** of Medicaid funding.



The increase in state budgets required to fund SNAP is increasing by more than **300%**. States with larger populations like California and Florida will see the largest increases.

Any state budget crisis will affect local government, even where local governments are not on the hook to pick up the cost of federal cutbacks. Approximately one-third of local government revenue typically comes from intergovernmental transfers, and most of that comes from state government rather than the federal government. According to the Government Finance Research Center (GFRC), as of 2017, state governments provided 17 percent of total revenue for cities, towns, and villages. For K-12 education, as of FY 2023, states provided 45 percent of all funding. Looking back to the Great Recession, GFRC found that “one way states balanced their own budgets was cutting aid to local governments, which forced local leaders to grapple with a ‘new normal’ of less intergovernmental revenue.”

Local governments are already facing fiscal stress. In August 2025, a Pew analysis found that fiscal stress in the largest US cities is widespread. “In a five-month span, from December 2024 to April 2025, Chicago, Los Angeles, San Francisco, and Washington all experienced credit rating downgrades... Since January, at least 20 of the nation’s 25 most populous cities have reported budget gaps for fiscal year 2026.”

Some state and local governments are less prepared to deal with the coming storm than others. An October 2025 Pew analysis found that “after years of growth, states’ rainy day fund capacity—the number of days they could cover

state operations—fell in fiscal year 2025, the first decline since the Great Recession of 2007-09. At the end of fiscal 2025, the median state could run on just its rainy day funds for 46.9 days, down from the record high of 53.2 days in fiscal 2024...”

A recent analysis by the Pennsylvania Intergovernmental Cooperation Authority looked at the status of city reserves. While the City of Seattle had reserves equal to almost 50 percent of general fund revenue, the City and County of San Francisco, City of Columbus, and City of Chicago all had reserves equal to less than 15 percent of annual general fund revenue.

**The cost of election year promises**

Watching some of the 2025 campaigns for governor and mayor, you never would have known that state and local governments were facing an impending fiscal cliff.

In New York City, newly elected Mayor Zohran Mamdani ran on a promise of free universal childcare, city-run grocery stores, and free bus service. His campaign estimated the cost of universal childcare at \$6 billion; the city’s independent budget office projected that the free bus service would cost \$652 million annually; and experts project the proposed city-run grocery stores could cost \$100 million.

Mamdani was not alone in making costly new proposals. His principal rival called for adding 5,000 new officers to the New York Police Department. Estimated

costs ranged from \$250 million to more than \$400 million annually.

In Virginia, Lieutenant Governor Winsome Earle-Sears called for the repeal of the state’s personal property tax on vehicles. The so-called car tax, however, generates significant revenue for local governments.

Even in smaller jurisdictions, candidates for mayor were calling for new spending rather than belt-tightening needed to deal with fiscal challenges ahead. In the City of Seattle, newly elected mayor Katie Wilson supported a \$1 billion bond issue for affordable housing and thousands of new units of emergency shelter housing. In the City of Albuquerque, New Mexico, a mayoral candidate called for extended hours for parks, community centers, and pools, and new investments in after-school programs.

**Multi-year financial planning as best practice**

Most state and local governments budget on an annual basis. There is a process—typically lengthy—before the start of a fiscal year where the jurisdiction executive (a governor, mayor, city manager, school superintendent, county executive) details a plan for projected revenue and expenditures for the coming year and a legislative body (a state legislature, city council, county commission, school board) acts on the proposed budget and adopts an annual budget.

In some cases, a jurisdiction may develop a biennial budget, where the adopted budget covers a two-year period. Some jurisdictions also adopt separate capital spending plans that may cover multiple years.

Very few government entities, however, adopt multi-year financial plans. Some local governments will take an initial step toward multi-year planning by trying to forecast revenues over a multi-year period. Multi-year revenue forecasts are important to long-term financial planning, but they’re just a single step in the process that looks only at one side of the fiscal ledger.

Fifty years ago, the City of New York nearly went bankrupt. Bankruptcy was avoided only by the intervention of the



state and federal government, and the cooperation of municipal labor unions.

As a condition for the state's intervention, the New York State Legislature enacted a law requiring a multi-year financial plan. Subsequently, New York City changed its city charter to mandate a multi-year financial planning process on an ongoing basis.

Under Section 258 of the charter, the mayor is required to develop an annual four-year financial plan that meets the following standards:

- “For each fiscal year, the city’s budget covering all expenditures other than capital items shall be prepared and balanced so that the results thereof would not show a deficit when reported in accordance with generally accepted accounting principles, unless such deficit is offset by funds withdrawn

for such purpose from the revenue stabilization fund ... and would permit comparison of the budget with the report of actual financial results prepared in accordance with generally accepted accounting principles.”

- “The city shall issue no obligations which shall be inconsistent with the financial plan.”
- “Provision shall be made for the payment in full of the debt service on all bonds and notes of the city and for the adequate funding of programs of the city which are mandated by state or federal law and for which obligations are going to be incurred during the fiscal year.”
- “All projections of revenues and expenditures contained in the financial plan shall be based on reasonable and

appropriate assumptions and methods of estimation. All cash flow projections shall be based upon reasonable and appropriate assumptions as to sources and uses of cash (including but not limited to the timing thereof), and shall provide for operations of the city to be conducted within the cash resources so projected.”

- “A general reserve shall be provided for each fiscal year to cover potential reductions in projected revenues or increases in projected expenditures during each such fiscal year.”

In addition to the multi-year financial plan for the operating budget, New York City Government is also required to have—and annually update—a 10-year capital strategy.

Multi-year financial planning has been critical to moving New York City Government from the brink of bankruptcy toward fiscal health over the last half-century. It has not prevented the occurrence of fiscal crises, nor has it completely prevented resort to budget gimmickry. But the city has never returned to the practices that led to its near-bankruptcy 50 years ago.

More importantly, in New York City Government and in other organizations that have adopted multi-year planning, it has changed the budget process from being incremental to becoming far more strategic.

Multi-year planning allows policy makers to see the budget implications of revenue and spending decisions over the long term. Tax cuts that might be affordable in Year 1 of a multi-year plan may result in deficits by Year 3. One-time expenditure reductions may help to balance a Year 1 budget, but may cause a

Multi-year financial planning can be both good government and good politics as elected leaders at the state and local level need to square the circle of addressing public demands for more while facing stiff budgetary headwinds.

hole in the budget by Year 4. Innovations or investments in technology designed to increase productivity may lead to greater spending in Year 1 but produce recurring savings by Year 3.

Multi-year planning is also a means of more strategically addressing some of the fiscal challenges—economic uncertainty and declining federal aid—detailed above. In any given state or city, the impact of federal immigration and trade policy, and general concerns about the state of the economy, will mean that there probably needs to be a range of revenue and expenditure estimates for the current year, and that those projections may change considerably in the next 3-to 5-year period.

For all these reasons, GFOA recognizes multi-year financial planning as a best practice, combining financial forecasting with strategic policies and discrete choices for elected officials and administrators. GFOA notes that long-term planning allows government to address long-term trends and risks in a way that annual budgets don't. It encourages strategic thinking, and it "creates a commitment and motivation to provide a guide for decision making."

In other words, multi-year financial planning helps state and local governments avoid making decisions that look smart in the short term (e.g., reliance on one-time revenue) but can be risky in the long term. It also

encourages investments in innovation that might not produce savings until the out years and discourages less productive and strategic approaches like across-the-board budget cuts.

### The politics of multi-year financial planning

In his 1955 inaugural address, Chicago Mayor Richard J. Daley—who held that office for more than 20 years—famously said that "good government is good politics."

Multi-year financial planning is more than good government budgeting. It can be very good politics as well.

People who think that budgets are just about numbers don't really understand budgets. Budgets are the most important policy document for most state and local governments, and they are fundamentally about choices.

As former New York Governor Mario Cuomo once said, candidates for office campaign in poetry but must govern in prose. Big policy ideas that help win elections can run smack into budgetary realities that make them impossible to implement on day one or in year one.

For perennial losers in sports, the cry after one more failed pennant race or a playoff run that comes up short is often "wait 'til next year." That often happens in the budget process as well. And unfulfilled promises are about as satisfying to voters as "wait 'til next year" is to sports fans.

Multi-year financial planning allows elected leaders to better set expectations in the face of fiscal reality. It can be a means of showing how promises may take time and tradeoffs to implement, but that there is a path forward.

The planning process itself can be a communication tool to gain buy-in and



GFOA notes that long-term planning allows government to address long-term trends and risks in a way that annual budgets don't. It encourages strategic thinking, and it "creates a commitment and motivation to provide a guide for decision making."



The City of Danville used multi-year financial planning to reverse decades of decline. Through strategic planning and community engagement, Danville has attracted more than \$1.4 billion in new investment and created over 2,000 jobs, experiencing growth for the first time in many years.

galvanize support for budgetary choices. From the early development of forecast assumptions to identifying initiatives and priorities in the plan, the multi-year planning process provides multiple points for elected officials, government staff, residents, and community stakeholders to engage in dialogue.

This dialogue is critical in today's political environment. Effective policy-making requires that policy connect to the experiences of everyday residents. Multi-year planning can make it easier to win support for tough budget calls that may not pay off with an upside until later years. And done well, the planning and engagement process can build support for a financial plan that aligns with a state's or community's vision and goals.

This approach is not just for states or big cities.

The City of Danville is a legacy textile mill town in southwestern Virginia. After reaching a peak population of a few more than 53,000 residents in 1990, its population dipped by more than 11,000 residents by 2024—a loss of more than

20 percent of the population base in approximately 30 years.

In 2018, the City of Danville faced a growing structural deficit that prevented it from having the financial bandwidth to invest in critical needs like public safety, economic development, and the city's school system. With national and local philanthropic support, the City of Danville brought in a team of national experts to develop multi-year financial plans for both the city and the school district.

In April 2018, the team presented a 165-page document with recommendations ranging from a citywide wage freeze to building a new parking lot in the downtown district to spur development of new office space.

The City of Danville's first multi-year financial plan provided a blueprint for city leadership and the school district to address the city's structural deficit and make targeted priority investments. That work laid the foundation for the city to develop a similar blueprint when opportunities

to expand the city's revenue and tax base came in 2019 with the authorization and construction of a new casino.

Beyond developing a financially sustainable approach, the City of Danville was able to tie together its long-term policy objectives into a coherent plan with the resources to back it. Both the initial financial plans for the city and the school district had a community advisory process. Detailed planning around the use of casino revenue included a community advisory board and input from the public through focus groups and surveys.

In 2024, the city reported more than \$1.4 billion in new investment and the creation of more than 2,000 new jobs. In his FY 2026 budget message to the city council, City Manager Ken Larking reported that "strategic efforts to enhance economic development, reduce crime, and improve education have increased opportunities and improved property values. This work includes investing heavily in economic development, public education, housing, downtown revitalization, and workforce programs. For the first time in many years, Danville is experiencing growth..."

## Conclusion

Given the fiscal and policy challenges facing state and local governments today, multi-year financial planning may not offer easy answers—but it does provide a means of making tough choices in a way that advances both good government and good politics.

As newly elected mayors and governors—and incumbents—work to fulfill the promises that got them elected while addressing the fiscal storm ahead, the careful planning and community engagement that can be part of a multi-year financial planning process is likely the best way to both balance budgets and meet voter demands. ■

*David R. Eichenthal is a visiting research scholar at the Center for Urban Research at the CUNY Graduate Center.*

# WISCONSIN TAX BURDEN REMAINS AT RECORD LOW AS INCOMES RISE

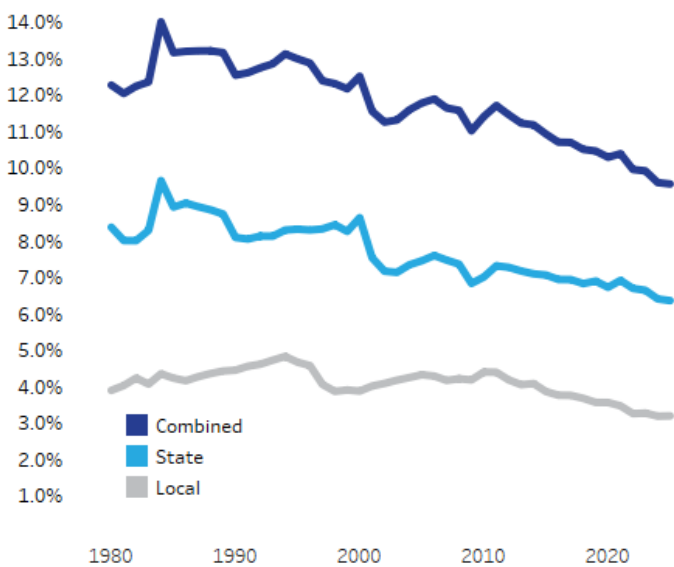
*The state’s tax burden remained at an all-time low in 2025, as incomes in Wisconsin grew at the same rate as state and local tax collections. Local taxes in particular faced upward pressure from K-12 referenda and new sales taxes in Milwaukee. In 2026, income tax cuts could further lower the burden, but elected officials are likely to face greater conflict between lowering the tax burden even further and preserving high-quality services.*

Wisconsin’s state and local taxes as a share of income remained at a record low in 2025, holding at their lowest level in more than a half century of data despite more rapid growth in taxes.

Wisconsin residents in fiscal year 2025 paid 9.60% of what they receive from all income sources in state and local taxes, matching 2024’s record low to remain at the lowest total burden in our data going back to the 1970’s. Figure 1 shows the long-term decline, which began the mid-1980s and became notably more consistent since 2010, as state leaders took more aggressive efforts to reduce the tax burden, and incomes grew after the painful years of the Great Recession.

**Figure 1: Tax Burden Continues to Fall in 2025**

State, local, and combined state-local taxes as a % of Wisconsin income



Sources: State of Wisconsin agencies, U.S. Bureau of Economic Analysis, and Wisconsin Policy Forum analysis

While the tax burden fell, overall state and local taxes grew by 5.0% in fiscal 2025 to \$38.8 billion, among the largest single-year jumps in the last 20 years. However, statewide personal income growth matched that rate, also rising by 5.0% in 2025.

State tax revenue, including income and sales taxes, climbed 4.2%, above the annual average growth of 3.1% for the past 20 years. However, because the income of state residents and businesses grew more rapidly, state taxes hit another record low in 2025, dropping from 6.41% to 6.36%.

Local tax revenue grew by 6.4%, the most since 2005, and nearly triple the 2.4% average annual rate of increase during that same time period. Net property taxes helped drive that increase, growing by 4.6%, or \$518.1 million. Big bumps in local sales tax collections, which grew by 12.2% or \$76.5 million, plus the addition of \$169.3 million from the new city of Milwaukee sales tax, were also major contributors. Overall, the local tax burden climbed just slightly, from 3.19% to 3.24%.

For more than 50 years, the Wisconsin Policy Forum has compiled data from state agencies to create a complete picture of every state and local tax over time, ranging from the \$187,039 of bingo license fees collected in 2025, to the \$10.6 billion in individual income taxes that year.

Using figures from the U.S. Bureau of Economic Analysis, we compare state and local tax collections to total personal income for Wisconsin residents from all sources, including wages, salaries, interests, dividends, government assistance payments, and other sources. This allows us to calculate the state and total tax

Our researchers have collected more than a half century of data on state and local taxes using the longstanding approach of our predecessor organization, the Wisconsin Taxpayers Alliance. We include all taxes paid by individuals and businesses in the state and collect the data from state agencies, generally on a state fiscal year basis (the 2025 fiscal year ran from July 1, 2024 to June 30, 2025). There are a few exceptions to this approach including county sales taxes, which are gathered on a calendar year basis. The state and local taxes are compared to personal income data from the U.S. Bureau of Economic Analysis for the most recent calendar year (in this case 2024) to calculate the state and local tax burden.

burden for Wisconsin as a whole (see the text box for more details on our methodology).

Our most recent year of personal income data shows growth at a rate of 5%, a relatively strong number that was less than last year's 5.4% but still outpaced the average annual growth since 2005 of 3.9%. However, the state rate still trailed the national personal income growth of 5.6%. Wisconsin's personal income growth has lagged the national growth rate every year since 2009, and 22 out of the last 25 years.

Typically, we [publish a brief](#) comparing the state's tax burden with other states to see where Wisconsin ranks. Our last report showed the state falling in this area as well and we will be analyzing those figures in the coming weeks now that U.S. Census Bureau data are available.

While the average tax burden in Wisconsin has consistently declined for years, that may not be the case for individual state residents, as income growth and tax burden can vary substantially. In other words, some residents may pay more of their income in taxes than this average percentage that we calculate, while others may pay even less.

## STATE TAXES

The state of Wisconsin collected \$25.69 billion of tax revenue in fiscal year 2025, up 4.2% from the \$24.65 billion collected the previous year. This year-over-year jump was more than double the previous year's 1.6% rise.

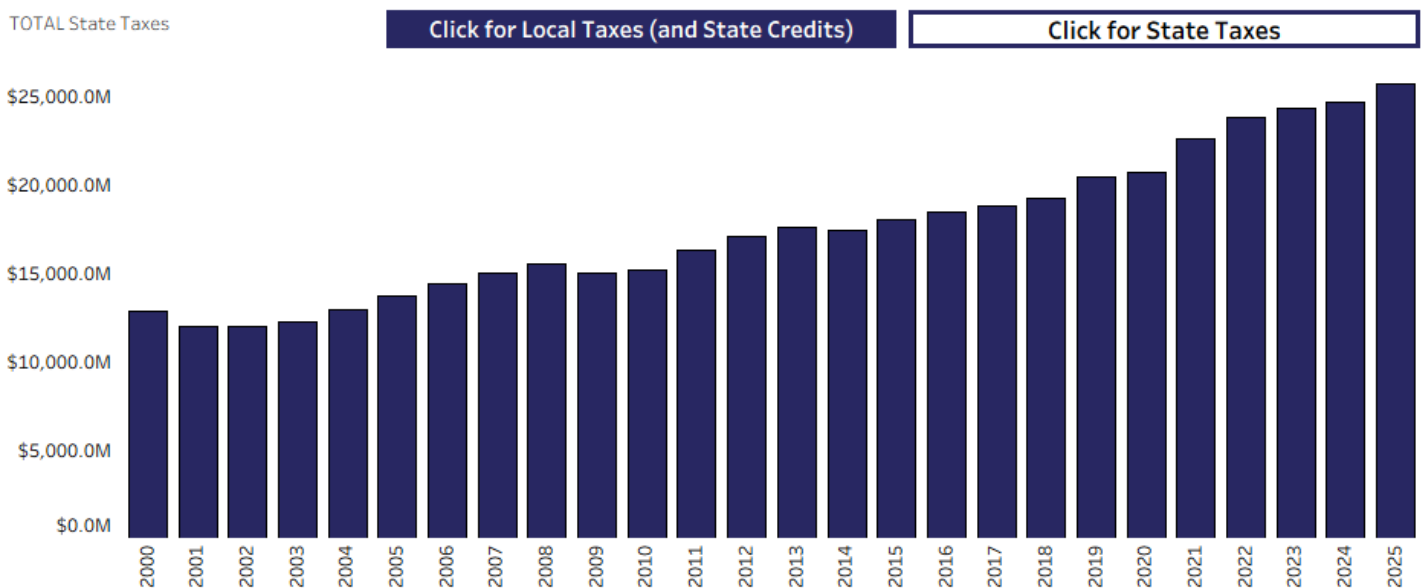
[Figure 2](#) provides details on the revenues from every state or local tax, with data back to 2000. Collections from the state's three largest revenue sources, taxes on individual income, sales, and corporate profits, all saw notable growth in 2025. [Figure 3](#) on the next page shows the trends in collections for these three taxes.

## Individual Income Tax

Leading the way among the state's largest revenue sources, individual income tax collections jumped by 7.5%, or \$733.5 million, the largest percentage increase since 2010. Growth in 2025 far outstripped the long-term average growth rate of 3.0% since 2005.

**Figure 2: Explore State and Local Tax Revenues Over Time**

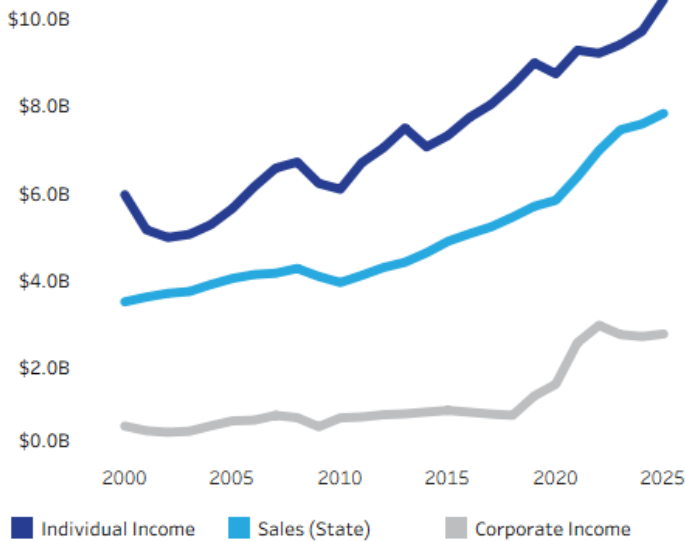
State or local tax revenue by type and year in millions (raw dollars)



Sources: Compiled by the Wisconsin Policy Forum using published and unpublished information from state Departments of Revenue, Administration, Workforce Development, Natural Resources, and Transportation

**Fig. 3: Income & Sales Taxes Grow, Corporate Taxes Slow**

Collections from the largest three state taxes in billions (not adjusted for inflation)



Source: Wisconsin Department of Administration

Despite income tax cuts in both the [2021-23](#) and [2023-25](#) state budgets, income tax collections showed strong growth. A portion of this can be attributed to growing prices for assets like stocks and associated high levels of capital gains revenue, and continued wage and employment growth. Looking to income tax collections for fiscal year 2026, they are currently projected to fall, as the [2025-27](#) state budget included income tax cuts of more than \$500 million each year, although [recent estimates](#) suggest that income taxes may remain more robust than expected over the next two years.

### Corporate Income Tax

Breaking a two-year trend of declines, corporate income taxes grew 2.2%, from \$2.70 billion to \$2.76 billion. State taxes on corporate profits have yet to match their 2022 peak. Continued economic growth, plus moderating inflation, has driven profits in the state higher, generating moderate growth in corporate income tax collections.

Changes in federal tax law, and associated state changes in 2019 and enhanced enforcement by the Wisconsin Department of Revenue both contributed to a massive increase in corporate income taxes in 2020, resulting in tax collections more than doubling. Rapid changes seem to have now stabilized, with annual changes tied more to economic factors than changes in federal tax law. One key question going forward is

whether federal tax law changes made under the One Big Beautiful Bill Act might also affect corporate tax structures in the state and future state corporate collections in the way that the Tax Cuts and Jobs Act of 2017 did.

### State Sales Tax

Continued inflation in consumer prices helped to push sales tax growth to 3.2%, with total collections hitting \$7.83 billion in 2025.

This marks a return to the 20-year average growth rate of 3.3% in these revenues, after a modest increase of only 1.8% in 2024 and near record high growth of more than 9% in 2021 and 2022.

### Excise Taxes

Taxes on cigarettes, other tobacco and vapor products, and alcoholic beverages fell by 5.2% in 2025 to \$542.0 million. While relatively large, this year's decline was the smallest of the past three years, and among the largest since at least 1970. Because excise taxes are all charged on a per unit basis, falling revenues generally represent changes in the volume of taxable products purchased and not the direct impact of inflation on prices. However, rising inflation and a slowing economy may push people away from at least some of these relatively non-essential products.

Falling excise tax revenues are driven by a long-term drop in collections from the state's cigarette tax, which have fallen by 42.6% from their 2010 high of \$644.3 million, to only \$369.6 million in 2025. Since 2010 – the first year of collections after the state's tax was raised to \$2.52 per pack – collections have been falling.

Year over year, cigarette tax revenues fell by 8.2%, less than last year's record 9.4% drop, but still greater than any year prior going back to at least 1970. The excise tax on tobacco products fell as well, by 3.2%, to \$83.0 million. Long-term drops in tobacco tax revenue are due to both declining tobacco use and increasing availability of alternatives like vapor products.

Collections also increased for taxes on alcoholic beverages. Both beer (4.7%), and wine and liquor (6.7%) saw growth, with beer rebounding from an all-time low of \$8.0 million in 2024 to \$8.4 million in collections for the most recent year.

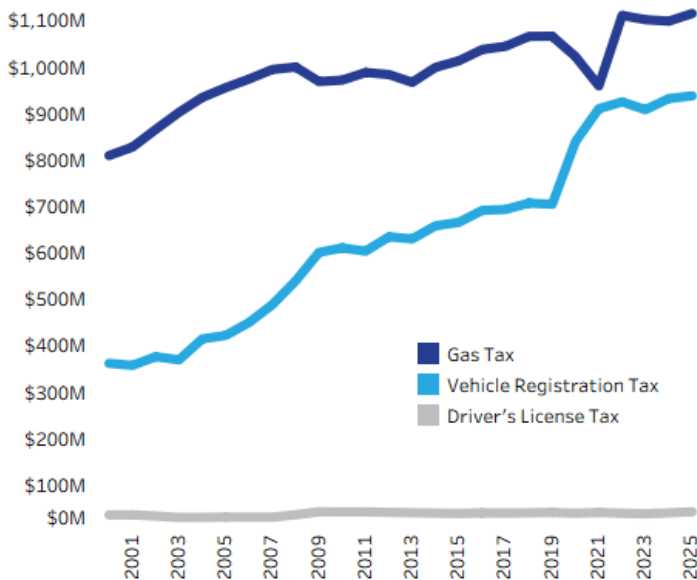
## Transportation Taxes

Gas tax, vehicle registration fees, and driver licensing fees grew by a combined 1.2%, keeping with the long-term trend of slow growth in these revenues that we outlined in our December 2024 report on [state transportation funding](#). Figure 4 shows how collections have changed over time.

Gas tax collections grew by 1.5% in 2025 to \$1.12 billion after falling slightly the two previous years, while fees collected for registering vehicles grew by 0.6% to \$937.8 million. Driver license fees saw the fastest rise, up 5.8% to \$42.1 million, matching their all-time high in 2009. Increased demand for new licenses may be due to federal requirements for [REAL ID](#) compliant documents when boarding airplanes. The state's limo rental fee, the smallest transportation revenue we track, grew by 7.1%, to \$13.8 million.

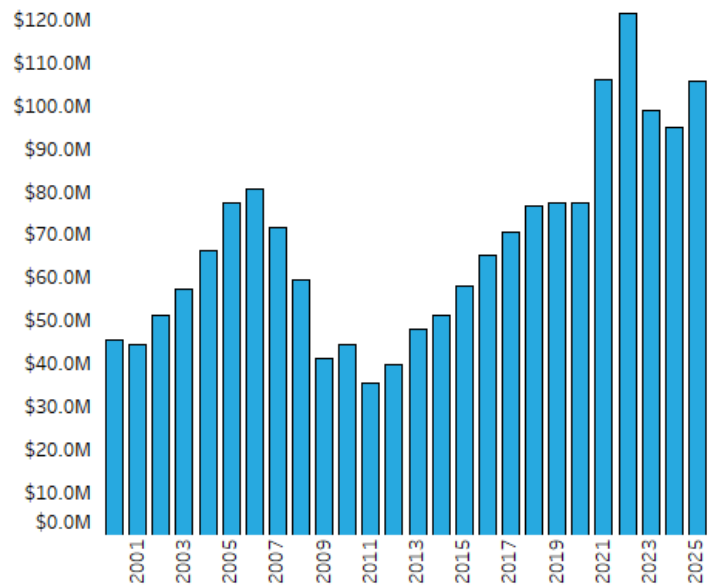
Following the pattern of the two previous budgets, state leaders again decided to dedicate nearly \$1 billion in revenue from general sources like income and sales taxes to help pay for maintaining the state's transportation system in the 2025-27 state budget, as the gas tax and registration fee continue their long-term trend of slow growth. The budget also increased the state's title transfer fee, which is included in motor vehicle registration fees.

**Fig. 4: Major Transportation Revenues Lag**  
Key transportation revenues by type and year in millions\*



Source: WI Department of Administration. \* Not adjusted for inflation.

**Figure 5: Real Estate Fees Rebound**  
Total state real estate transfer fee collections\* by year



Source: WI Department of Administration; \*Not adjusted for inflation.

## Real Estate Transfer Fee

Wisconsin's housing market followed national trends and re-heated somewhat, driving revenue from the state's real-estate transfer fee up 11.4% to \$105.5 million. While substantially higher than last year, it's still short of the all-time highs set in 2021 and 2022. Real estate transfers are approaching their recent peaks, because both the number of real estate closings grew, as did the price of the [average transaction](#) over the past year.

County governments collect this fee and divide it between state and county government. The state receives 80% while the county receives the remaining 20%. In 2025, counties received \$26.4 million. These revenues are not shown in Figure 5 and add to the total transfer fees collected.

## LOCAL TAXES

Local government tax revenues, including the combined totals collected by municipalities, counties, school districts, technical college and special districts, outpaced state revenue growth, climbing by 6.4% in 2025 to a total of \$13.09 billion.

Local revenue has grown by more than 2% each of the last six years, but 2025's 6.4% bump is the highest since 2005. It is also only the 6<sup>th</sup> year out of the last 20

that local government growth outpaced personal income growth over that same time period.

### Property Taxes

Wisconsin's single largest tax, the gross tax on property by local governments, grew by 4.2% in 2025, to \$13.64 billion. While smaller than last year, the growth in property taxes on December 2024 bills was bigger than any other year since 2008. The increase in property taxes reflects the growth in both school district levies and those of other local government due to referenda as well as other factors such as limited growth in state aid for schools. Gross property tax levies can be expected to climb further in 2026, as outlined in our [research](#) from December. Figure 6 shows how this year's increase compares to historical trends.

Due to limited growth in property tax credits that help blunt the impact of the gross property tax, net property taxes grew more sharply than gross property taxes, climbing by 4.6% to \$11.90 billion, the highest rate since 2008.

The state's largest property tax credit, the school levy credit, grew by 6.7% to \$1.28 billion. However, much of that growth was washed out by the 13.1% drop in the state's lottery credit, which fell to \$315.7 million, and only 0.2% growth in the state's first dollar credit. The net change in property tax credits was only \$32.8

million in 2025. Together, these credits reduced the amount paid by property tax payers by \$1.74 billion.

State leaders have made efforts to put downward pressure on property taxes, but the last two years have seen increases that have been the largest since the Great Recession, as school property taxes especially have grown. The amounts districts can levy are tied to the per pupil revenue limit set by the state budget, which rose by \$325 per pupil for December 2024 tax bills, matching the increase in the previous year. In addition, record numbers of school referenda pushed levies beyond even what was allowed by state law. Among the referenda with the largest impact was the Milwaukee Public Schools request to raise property taxes in the district by up to [\\$252 million over four years](#).

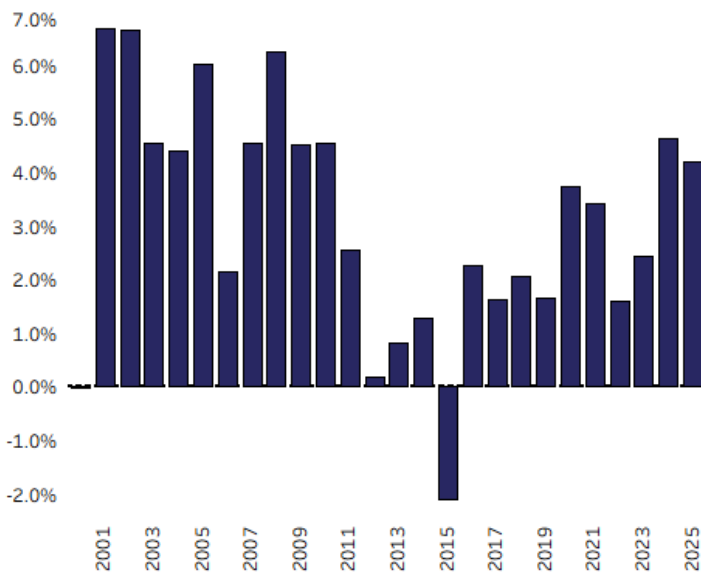
Municipal, county, and technical colleges have had their capacity to raise property taxes limited since 2011, and can only increase their levy by the rate of net new construction in their area. This rate is calculated based on the amount of new construction as a share of property in their jurisdiction. In 2025, statewide net new construction was at 1.6%, tracking with the long-term average.

Limiting property tax growth has lowered the state's tax burden, but it has also stressed local budgets and services. That in turn has led to a number of referenda to exceed state revenue and levy limits, helping push property tax growth higher in 2025 than previous years.

This more rapid growth happened despite the repeal of the state's tax on personal property, like machinery and other property, not including land and buildings. This tax change was reflected in our data for 2025 property taxes.

**Figure 6: Property Tax Collections Grow More Slowly in 2025, Still Approach Recent High**

Year-over-year change in gross local property tax collections



Source: Wisconsin Department of Revenue

### Local Sales Taxes

Counties are authorized to levy a sales tax of 0.5%, or 0.9% in the case of Milwaukee County, collected in addition to the state's 5.0% tax. Because of how our data is organized, this is the first year in which the impact of that higher rate in Milwaukee County will be included. That helps explain the 12.2% growth, to \$701.5 million in calendar year 2024. County sales taxes grew faster than all other taxes that collect at least \$10 million annually.

In addition to county sales taxes, the city of Milwaukee now levies a 2.0% sales tax on goods and services in its territory, with funds dedicated to covering local pension costs and public safety staffing. According to the state Department of Revenue, this new tax raised \$169.3 million in calendar year 2024, and these revenues are recorded within our fiscal 2025 analysis based on our organization’s longstanding practice. Because the figures have been gathered in that way for decades, we are not able to go back and change these data to a fiscal year basis.

### Wheel Taxes

Counties and municipalities have the option to charge residents a local vehicle registration fee, in addition to the state’s fees for registering a vehicle. Our recent [research](#) found that as of fall 2025, 63 local governments charge this fee, and nearly half of all state residents pay some sort of local option wheel tax, compared to just over 50 local governments last year. Some municipalities and counties also have raised their existing fees.

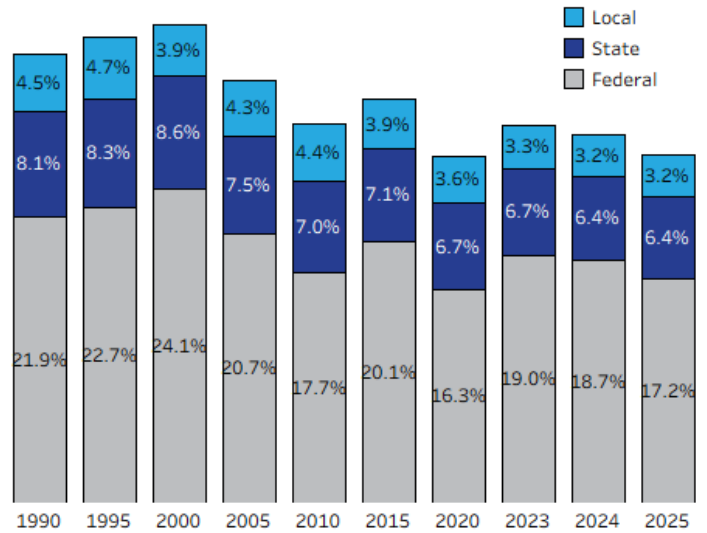
As a result, wheel tax collections have climbed 12.0% in fiscal 2025, to \$74.7 million. This is far more rapid growth than that of state vehicle registration revenue, since increases to the local rates charged for registration and additional communities adopting new fees led to faster-growing collections.

### Room, Premier Resort, and Local Expo Taxes

Room tax collections continued their upward trend, growing to \$130.2 million in 2025, a rate of 5.5%. Most Wisconsin municipalities can levy up to an 8% tax on hotel stays, with 70% of revenues directed towards promoting tourism. Early travel restrictions during the pandemic caused room tax revenue to collapse, but collections have largely rebounded since then.

State law authorized additional tourism-related taxes, including for eight communities that are dependent on the tourism industry. These areas are known as “premier resort areas” and revenue for their municipal sales tax grew only 2.2% in 2025, to \$14.4 million. Finally, the state allows additional taxes on tourism-related products and services to support the Wisconsin Center exposition district in Milwaukee, and these taxes grew by 3.8% to \$49.9 million in 2025.

**Figure 7: Overall Tax Burden in State Keeps Falling**  
Local, state, & federal taxes as a share of personal income in Wisconsin



Sources: Compiled by the Wisconsin Policy Forum using published and unpublished information from state Departments of Revenue, Administration, Workforce Development, Natural Resources, and Transportation; U.S. Internal Revenue Services and Office of Management and Budget. \*Federal 2025 tax burden is estimated.

### FEDERAL TAXES

Despite continued economic growth in 2025, the amount of federal taxes paid by Wisconsin individuals and businesses is estimated to fall by 3.2% to \$69.5 billion. Federal tax data has not been finalized when we publish this report, so we make an estimate of federal taxes paid by state residents each year, then revise our estimate the following year when more accurate data becomes available.

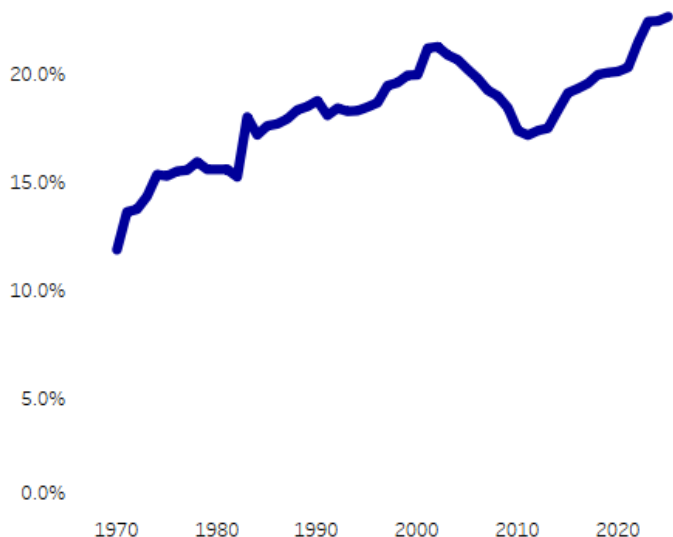
Federal taxes eat up a much larger share of the state’s income than state and local taxes. In 2025, we estimate that federal taxes will equal 17.2% of state income, which would be a substantial drop from 2024, and among the lowest portions on record, as shown in Figure 7.

### SALES TAXES CONTINUE TO GROW IN IMPORTANCE

Property and income taxes have received much of the focus over the past decade as state officials have pushed to lower the overall tax burden within the state of Wisconsin. As our data show, these efforts have been relatively successful in reducing that burden. However, sales taxes have received less attention, and in fact have become a tool used by more local governments, with the higher sales tax rate in Milwaukee County, and the city’s new sales tax, and Racine and Sheboygan

**Figure 8: Sales Tax Contributes More**

Sales taxes\* as a % of all state and local taxes in Wisconsin



Source: Department of Administration & Wisconsin Policy Forum analysis. \*Includes state sales tax, county and city sales tax, premier resort area tax, and exposition district tax.

counties that have imposed the regular 0.5% sales tax in recent years. The ongoing higher rate of inflation has further added to sales tax collections, which creates growing revenue for state and counties governments, but also adds to their costs as well as those of ordinary state residents.

Recently, there have been small efforts to lower sales taxes in targeted ways. For example, the current state budget extends a sales tax exemption on electricity and gas from the winter months to include the entire year.

Overall, however, sales taxes have taken on an increasing share of the burden of funding state and local government, hitting an all-time high of 22.6% in 2025. Figure 8 shows the share of total state and local revenue derived from sales taxes over time.

Growing reliance on sales taxes tends to shift the burden of paying for government onto lower income residents, as they tend to spend more of their earnings on basic necessities like clothing, vehicles, and other consumer goods. Wisconsin's income tax burden tends, on the other hand, to be paid by those with higher incomes, so shifting away from the income tax tends to benefit those taxpayers.

Changes in inflation, economic and income growth, and changing state tax policy will ultimately determine if this trend continues. But the shift that has already occurred

shows how some taxpayers can end up bearing a larger share of the state's tax burden, even if it shrinks overall.

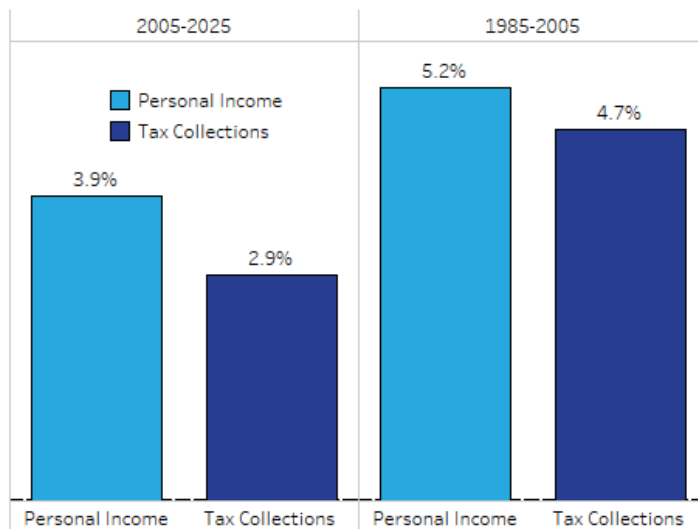
### INCOME GROWTH CONSISTENTLY OUTPACES TAX GROWTH

Wisconsin's elected leaders have worked hard over the past generation to limit state and local tax growth, and in response total tax collections have grown by a 2.9% annual rate since 2005. In comparison, taxes between 1985 and 2005 grew by an average of 4.7% each year. However, slower growth in tax collections does not completely explain the long-term decline in tax burden. Instead, incomes grew at a faster rate than taxes, rising an average of 3.9% per year between 2005 and 2025. As Figure 9 shows, that trend of more rapidly growing incomes now stretches back to the 1980's.

The picture is not entirely positive, however. Over the past 25 years, the state's growth in personal income has lagged the national rate, making it more difficult for state residents to pay for all their priorities, including government services. Slower-growing incomes have persisted despite divided government and unified Democratic and Republican control, suggesting that they likely reflect the state's demographics and mix of industries as much as they do policy changes.

**Figure 9: State Personal Income Grew Much Faster Than Taxes Between 2005 and 2025**

Average annual rate of growth for state personal income and state and local tax collections



Sources: State of Wisconsin agencies, U.S. Bureau of Economic Analysis, and Wisconsin Policy Forum analysis

## CONCLUSION

The amount of Wisconsin's income that pays for state and local taxes remained at a record low in 2025 despite relatively rapid growth in these levies. This means that on average, schools, local governments, the UW System and all other government are effectively easier for taxpayers to finance than at any time since at least the 1960s. However, the experience of individual taxpayers will vary. The average tax burden may be felt very differently depending on where in the state someone lives, their level of income, type of business, and other factors.

For example, in calendar year 2024 the sales tax paid by residents of the city of Milwaukee jumped substantially, as the county tax rate was raised from 0.5% to 0.9%, and the city imposed a new 2.0% sales tax. On top of that, the school district's operating referenda drove property taxes higher than other parts of the state. We intend to further investigate the tax burden in Milwaukee County specifically to better understand exactly how these changes impact residents in the state's largest urban area.

The state's overall tax burden has been falling since the early 1980s as a result of efforts to curb taxes, particularly property and income taxes, and long-term economic growth. Taxes as a share of income have dropped 4.4 percentage points from their peak in 1984 at 14.0%.

The [\\$1.5 billion in income and other tax cuts](#) approved as part of the two-year state budget may still help to lower the state tax burden modestly in 2026. However, the ratio of taxes to income may be nearing its bottom, as inflation and other cost pressures on school districts and local governments have begun to push local taxes upward. The state has also been gradually reducing its large general fund balance, reducing the surplus funds that it has to devote to tax relief.

Local school property taxes grew substantially this year and are likely to grow substantially [again in the coming year](#). The combination of widespread K-12 referenda, increases in per pupil revenue limits, and frozen school aids caused statewide K-12 property tax levies in December 2025 to grow at a rate not seen since the early 1990s and more of the same is likely in 2026. State leaders will increasingly have to wrestle with balancing the desire for low taxes against maintaining

high-quality local services and K-12 education. They may partially resolve this conflict by pursuing opportunities for development and economic growth [such as data centers](#). However, because economic growth often depends more on national and global factors and the existing demographics and industries in the state, the economy is never completely under the control of state and economic leaders.

Improved government efficiency can also help keep the tax burden down while maintaining high-quality government services. The Forum, for example, has often pointed to opportunities for local governments to maintain services and control spending through efforts [such as service sharing](#).

However, after decades of limited budgets, especially for school districts and local governments, many efficiency measures have been implemented. So in many cases, further lowering spending will have an impact on local service and school quality. Elected officials and voters themselves will likely need to weigh these two competing priorities – lower taxes and high-quality services – in the years to come.



Home » Among big counties, Jefferson, Dane and Rock tops in per-person spending

SPENDING AND ACCOUNTABILITY

# Among big counties, Jefferson, Dane and Rock tops in per-person spending

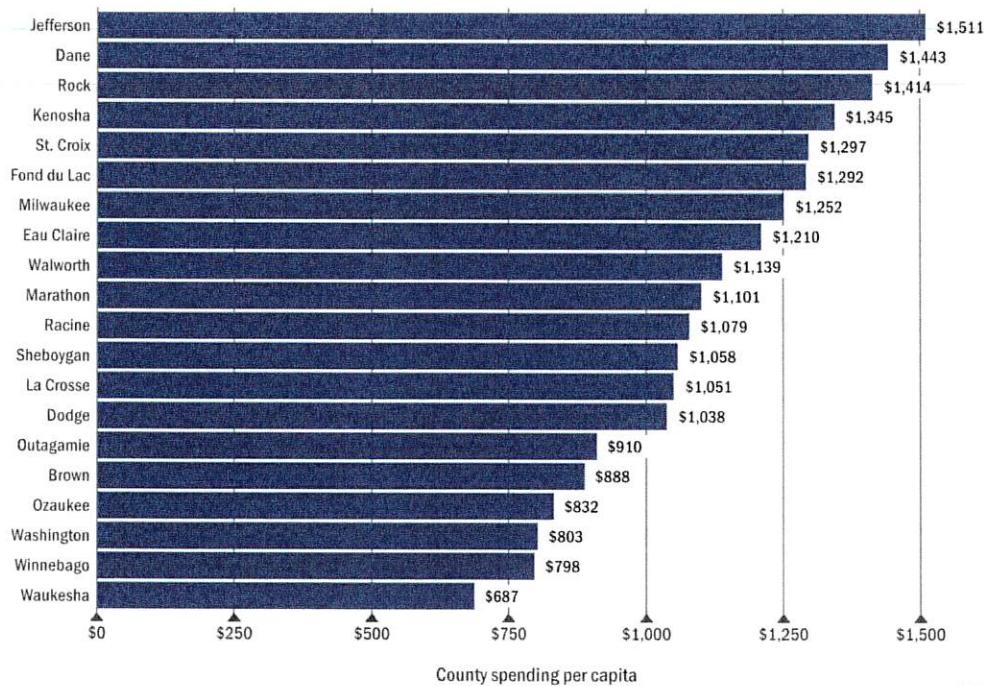
BY WYATT EICHHOLZ – SEPTEMBER 18, 2025

## By the numbers

Among Wisconsin's large counties, Jefferson County's government spent the most per resident – more than twice as much as the lowest-spending county government, Waukesha, according to data from the Wisconsin Department of Revenue.

The state agency's latest [annual report](#) on county and municipal finances includes spending data from 2023.

Per capita county spending in Wisconsin's most populous counties



Source: Wisconsin Department of Revenue



informational  
paper #14



# county and municipal expenditure and revenue limits

legislative fiscal bureau  
state of wisconsin  
january 2021

# County and Municipal Expenditure and Revenue Limits

Prepared by

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# County and Municipal Expenditure and Revenue Limits

This paper describes three methods by which the state imposes fiscal controls on counties and municipalities:

- Expenditure restraint program for municipalities
- Levy limit on counties and municipalities
- Levy rate limit on counties

School districts and technical colleges are also subject to revenue limits by the state. These are described in Legislative Fiscal Bureau Informational Papers #26 and #33.

In addition, the paper describes municipal general obligation debt limits under the state constitution and statutes.

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## **Municipal Expenditure Restraint Program**

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Municipalities are not subject to a mandatory expenditure control. However, as a condition for receiving aid under the expenditure restraint program, municipalities must limit the year-to-year growth in their budgets to a percentage determined through a statutory formula. The Department of Revenue (DOR) administers the expenditure restraint program. To receive aid, they must also have a municipal purpose tax rate in excess of five mills. From 2003 through 2017, the program's annual distribution was set at \$58,145,700. However, beginning with payments for 2018, total funding for the program appropriation is increased by \$1,166,000 (for a total funding level of \$59,311,700) each year through 2022 to make separate, annual payments of \$583,000 to the Village of Maine in Marathon County and the City of Janesville in Rock County. These payments are in

addition to any amounts the two municipalities would otherwise receive under the formula, but are not included in the total funding distributed to all municipalities under the formula.

The statutes define "municipal budget" as the municipality's budget for its general fund exclusive of principal and interest payments on long-term debt. State law provides for the exclusion of several other types of expenditures: (a) amounts paid by municipalities under municipal revenue sharing agreements; (b) amounts paid by municipalities as state recycling tipping fees; (c) expenditures of state grant payments for municipal costs associated with development occurring in an electronics and information technology manufacturing zone; (d) unreimbursed expenses related to emergencies declared under an executive order of the Governor; (e) expenditures from moneys received pursuant to the federal American Recovery and Revitalization Act of 2009; (f) expenditures made pursuant to a purchasing agreement with a school district whereby the municipality makes purchases on behalf of the school district; and (g) the payment of premiums by a municipality for hospital, surgical, and other health insurance for an eligible surviving spouse and dependent children of a law enforcement officer, fire fighter, or medical services practitioner, who dies in the line of duty. Finally, adjustments are made for the cost of services transferred to or from the municipality seeking to qualify for a payment and to exclude the cost of providing a contracted service to another government.

The statutes prohibit municipalities from meeting the budget test by creating other funds, unless those funds conform to generally accepted accounting principles (GAAP). These principles have been adopted by the Governmental Accounting Standards Board to offer governments

guidelines on how to maintain their financial records.

For the year prior to the aid payment, the rate of budget growth cannot exceed the inflation rate plus an adjustment based on growth in municipal property values. The inflation rate is measured as the change that occurred in the Consumer Price Index (CPI) in the one-year period ending in September two years prior to the payment year, but not less than 0%. The property value adjustment is unique for each municipality and equals 60% of the percentage change in the municipality's equalized value due to new construction, net of any property removed or demolished, but not less than 0% nor more than 2%. The allowable increase is known at the time when municipal officials set their budgets.

To be eligible for a 2021 payment, municipalities had to limit their 2020 budget increases to 1.9% to 3.9%, depending on individual municipal adjustments due to property value increases. Out of the 463 municipalities that would otherwise have been eligible for a 2021 payment, only 323 met the budget test. The other 140 municipalities either did not meet the test or did not submit budget worksheets to DOR in a timely manner.

This program is described in greater detail in the Legislative Fiscal Bureau's informational paper entitled "Targeted Municipal Aid Programs."

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### **County and Municipal Levy Limit**

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Since the 2005(06) property tax year, DOR has administered a levy limit program that restricts the year-to-year increases in county and municipal property tax levies. The limits for 2005(06) and 2006(07) were imposed under provisions created by 2005 Wisconsin Act 25, but those provisions were sunset on January 1, 2007. The limits were re-imposed for 2007(08) and 2008(09) by 2007

Wisconsin Act 20 and for 2009(10) and 2010(11) by 2009 Wisconsin Act 28. Both acts included provisions that repealed or sunset the limits after the specified years. Provisions in 2011 Wisconsin Act 32 extended the levy limit program on a permanent basis. Since then, the Legislature has made several modifications to the levy limit.

The state's levy limit program prohibits any county, city, village, or town from increasing its "base" levy in any year by more than the percentage change in the local government's January 1 equalized value due to new construction, less improvements removed, between the previous year and the current year, but not less than zero percent. The base levy is defined as the prior year actual levy for the county or municipality, plus any tax exempt personal property aid payment made by the state to the jurisdiction.

Under the limit, state law provides for adjustments and exclusions to the limit. When the levy for a designated purpose is an adjustment to the limit, the allowable levy is increased or decreased by the amount of the levy for the designated purpose. The levy, including the adjusted amount, becomes the base levy from which the succeeding year's allowable levy is calculated. Exclusions to the levy limit are initially applied identically to an adjustment, in that the allowable levy is increased by the amount of the levy for the purpose designated by the exclusion. However, the levy for the designated purpose is not included in the base levy from which the succeeding year's allowable levy is calculated.

Adjustments can be expressed both as increases or decreases to the allowable levy. For example, the allowable levy may be increased to reflect increases in debt service for general obligation debt authorized by a resolution of the local government before July 1, 2005. If the debt service on general obligation debt issued before July 1, 2005, is less for the current year than for the previous year, the allowable levy is decreased by the amount of the debt service decrease.

Under a separate adjustment, if a local government's allowable levy in the preceding year exceeded its actual levy in the same year, the local government may claim an increase in its allowable levy in the current year equal to the unused levy authority in the preceding year. The increase under this adjustment is limited to not more than either 0.5% or 1.5% of the prior year levy, based on the size of the municipal or county governing body and the margin of approval. An increase of up to 0.5% requires a majority vote of the governing body. An increase of more than 0.5%, but not more than 1.5%, requires a three-quarters vote if the county, city, or village governing body has at least five members, a two-thirds vote if the county, city, or village governing body has fewer than five members, and a two-thirds vote by a town board for the resolution advancing the proposal to the town meeting, followed by a majority vote at that meeting.

A second "carryforward" adjustment was created in 2015 Wisconsin Act 55, effective with 2015 tax levies. Local governments claiming this adjustment cannot also claim the preceding adjustment. Under the second carryforward adjustment, a carryforward factor is calculated for each year equal to the difference between the local government's valuation factor and the actual percent increase in its levy attributable to the valuation factor. A local government's maximum carryforward adjustment equals the sum of the factors for the five preceding years, except the five-year period cannot include any year before 2014(15) and the sum of the five factors cannot exceed 5%. Claiming the adjustment requires a two-thirds vote of the local government's governing body, and a local government cannot claim this adjustment unless its level of outstanding general obligation debt in the current year is less or equal to its level of general obligation debt in the preceding year. Claiming the adjustment in one year offsets the carryforward factors in the five preceding years, thereby reducing the potential carryforward of this adjustment in future years.

Levy authority is also reduced when a local government imposes fees or payments in lieu of taxes for certain services that were funded with property tax revenues in 2013. The negative adjustment equals the amount of fees or payments in lieu of taxes that are received by the local government to pay for the service in an amount not to exceed the amount funded by the levy in 2013. Services subject to the adjustment include garbage collection, fire protection, snow plowing, street sweeping, and storm water management. Beginning with taxes levied for 2017(18), this adjustment does not apply to the production, storage, transmission, sale and delivery, or furnishing of water for public fire protection purposes. Also, this adjustment does not apply to fees or payments for garbage collection if the local government owned and operated a landfill on January 1, 2013. Any negative adjustment is waived if the local government's governing body adopts a resolution to that effect, and the resolution is approved at referendum.

Other adjustments to the levy limit include amounts levied:

- to fund services transferred from (positive) or to (negative) another governmental unit;
- on territory annexed by a city or village (the adjustment is equal to the tax levied by the town on that territory in the preceding year and is a positive adjustment for the annexing city or village and a negative adjustment for the town from which the territory was annexed);
- for any increase in lease payments related to a lease revenue bond issued before July 1, 2005;
- for the cost of consolidating an existing county service by extending the county service to a municipality that provided the same service previously;
- to make up any shortfall in a municipality's general fund due to the loss of revenue from the sale of water or another commodity to a

manufacturing facility that has discontinued operations; and

- to jointly provide a service under an intergovernmental cooperation agreement on a consolidated basis with another political subdivision (offsetting positive and negative adjustments).

In addition, a county or municipality containing a tax increment district (TID) that has terminated may adjust its allowable levy in the first year that DOR does not certify a tax increment. Under the adjustment, the county or municipality's allowable levy is increased by a percentage equal to 50% of the incremental value of the terminated district in the prior year divided by the county or municipality's prior year TID-out equalized value. A separate adjustment was created in 2017 to allow a county or municipality to increase its levy in the first year in which DOR does not certify an area subtracted from a TID as part of the value increment. This adjustment is calculated in the same manner as the adjustment for a terminated tax increment district.

Beginning with the 2019 property tax levy, a municipality may increase its levy limit by \$1,000 for each new single-family residential dwelling unit occupancy permit issued in the prior year that meets the following criteria: (a) the single-family unit is located on a parcel of no more than 0.25 acre in a city or village, or on a parcel of no more than one acre in a town; and (b) the unit was sold in the prior year for not more than 80% of the median price of a new residential dwelling unit in that municipality in the prior year. The amounts levied under this provision may only be used for police protective services, fire protective services, or emergency medical services. Any municipality that levies an amount under this provision may not decrease the amount that it spends on these services below the amount spent in the prior year.

Amounts levied for certain purposes are not subject to the levy limit. These exclusions to the levy limit include amounts levied:

- for debt service on general obligation debt authorized on or after July 1, 2005;

- by a county or municipality to make up for a revenue shortfall for debt service on a revenue bond issued by that local government;

- by a county or municipality to make up for a revenue shortfall for debt service on a revenue bond issued by the county or municipality or a joint fire department that is used by a joint fire department to pay for a fire station;

- by the City of Milwaukee or Milwaukee County for debt service on appropriation bonds (for payment of employee retirement system liability);

- by a county or municipality to make up any revenue shortfall for debt service on certain bonds designed to be repaid with the proceeds from special assessments;

- by a municipality as a tax increment;

- by a county for a county children with disabilities education board;

- by a first class city (Milwaukee) for school purposes;

- by a county for town bridge and culvert construction and repair;

- by a county to make payments for public libraries if the county does not maintain a consolidated library system and contains residents who are not residents of a municipality that maintains a public library;

- by a county for a countywide emergency medical services system;

- by a village to pay for police protection services, but only in the year immediately after the village's incorporation and only if the town which preceded the village did not have a police force;

- for unreimbursed expenses related to declared emergencies (may be used to replenish cash reserves and must be claimed either in the year the emergency is declared or in the following year);

- for refunded or rescinded taxes;

- for charges assessed by a joint fire department or joint emergency services department if the charges would cause a municipality to exceed its levy limit, if the other municipalities served by the joint department adopt resolutions supporting the municipality exceeding its limit, and if the total charges assessed by the joint department increase on a year-to-year basis by a percentage less than or equal to the percentage change in the consumer price index plus 2%; and

- by a county or municipality to replace revenues associated with a reduced utility aid payment due to a decommissioned or closed power plant.

Increases above the limit can be approved through the passage of a referendum. The local government's governing body that wishes to exceed its limit must adopt a resolution specifying the amount and purpose of the increase and whether the increase is to be extended on a one-time or ongoing basis. The statutes provide specific wording for the ballot question, which must include the allowable levy and percentage increase without a referendum, the amount of the levy and percentage increase under the referendum, and the purpose for which the increase would be used. If the actual amount that the levy will increase is not known, governments may use an estimate for the purposes of the ballot question.

Certain towns can bypass the referendum procedure. Towns with populations under 3,000 may exceed their levy limits by a vote at the annual town meeting or at a special town meeting, provided the town board previously adopts a resolution supporting the increase and includes the increase on the agenda for the town meeting.

If a county or municipality imposes a levy exceeding its limit, DOR must impose a penalty by reducing the local government's next county and municipal aid payment by the amount of the excess. Penalties are not imposed when the excess is less than \$500, and DOR can waive the penalty if it finds that a county or municipality exceeded its limit due to a clerical error resulting from a mistake in the local government's equalized value or in the preparation of the tax roll. If the penalty exceeds a local government's county and municipal aid amount, the remaining penalty is carried forward and applied against future aid payments.

Over the last three years, eight counties (Milwaukee (2017), Lincoln (2018), Rock (2018), Trempealeau (2018), Washburn (2018), Winnebago (2018), Green Lake (2019), and Iron (2019)) have incurred a levy limit penalty, while the number of municipalities with levy limit violations has increased slightly from 42 for 2017(18) to 50 in 2018(19) and 2019(20). Levy amounts exceeding limits totaled \$734,305 for 2017(18), \$1,551,748 for 2018(19), and \$1,617,601 for 2019(20). Statewide, there were 1,853 municipalities levying taxes of just over \$3.0 billion in 2019(20), so the number of violators and the amount of excess levies is relatively minor. This may be attributable to the structure of the penalty -- a dollar for dollar reduction in state aid.

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## County Tax Rate Limits

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2011 Wisconsin Act 32 suspended the county tax rate limit program for property tax years 2011(12) and 2012(13). The suspension may have been related to other provisions in Act 32 making the levy limit program permanent. Since the suspension applied only for two years, the tax rate limit was scheduled to take effect again for the 2013(14) property tax year. However, 2013 Wisconsin Act 20 sunset the tax rate limit, making the suspension permanent.

Prior to these acts, state law imposed a tax rate limit on the general operations portion of each county's levy, beginning with the 1993 tax levy (payable in 1994). For purposes of the control, each county's total tax levy and rate were separated into two components. The debt levy and debt levy rate were comprised of amounts for debt service on state trust fund loans, general obligation bonds, appropriation bonds (for payment of employee retirement system liability by Milwaukee County), and long-term promissory notes, while the operating levy and operating rate were comprised of all other taxes. Under the tax rate limit, each county's operating levy was limited to no more than an amount based on its prior year allowable levy plus an adjustment equal to the percent change in the county's equalized value.

Although the focus of the control was the operating levy, the debt levy was indirectly controlled, and the statutory provisions pertaining to the debt levy remain in effect. Under those provisions, each county is prohibited from issuing new debt that would be repaid from the county's debt levy, unless one of the following conditions is met:

- the debt does not cause the county's debt levy rate to exceed the prior year's allowable debt levy rate, which is derived from the county's actual 1992(93) tax rate, based on the "reasonable expectation" of the county board;
- the debt is approved through referendum;
- the debt was authorized prior to August 12, 1993;
- the debt is used to refund existing debt;
- the debt is authorized by a 75% vote of the county board;
- the debt is issued for acquiring, developing, remodeling, constructing, and equipping land, buildings, and facilities for regional projects;

- the debt is issued for acquiring or installing energy efficient equipment; or
- the debt is issued by Milwaukee County to pay unfunded prior service liability with respect to an employee retirement system.

The preceding provisions are not administered by a state agency. Instead, the bond market ensures that any newly-issued county debt conforms to the enumerated provisions.

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### **Municipal General Obligation Debt Limits**

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Municipalities may borrow money and issue general obligation debt for purposes specified in statute. In issuing such debt, municipalities must adopt an initial resolution authorizing the issuance of bonds. Unless specified by a separate resolution of the governing body, such resolutions, if adopted for the purpose of acquiring, developing, remodeling, constructing and equipping land, buildings and facilities for regional projects, either alone or acting jointly under an intergovernmental agreement, are not subject to a referendum vote of the electors.

Article XI, Section 3 of the state Constitution specifies that municipalities (as well as other local tax jurisdictions), in incurring any indebtedness, must provide for the collection of a direct annual tax sufficient to pay the interest due on such debt and to pay the principal due within 20 years from the time of contracting the debt. Further, the state Constitution and state statute limit the aggregate amount of indebtedness, including existing indebtedness, of any municipality. No municipality's indebtedness may exceed 5% of the equalized value of the taxable property located in the municipality. The limitation on aggregate indebtedness does not include the amount of refunded municipal obligations if provision is made for the payment of the refunded obligation. The

constitutional requirement and statutory debt limit apply only to debt supported by general property taxes levied on taxable property within the jurisdiction of government issuing the debt.

DOR reports the municipal debt limit each year

based on the latest equalized value and the outstanding municipal general obligation debt amounts reported by each municipality on its annual municipal financial report form submitted to DOR.

**CITY OF MEQUON, WISCONSIN**  
**TAX ASSESSMENT AND TAX RATE DATA: 1980-2025**

Year	Equalized (Full Value)	Assessed	Eqlz Growth	Asmt Growth	Asmt Ratio	Assd City Tax Rate	Eqlzd City Tax Rate
2025	\$ 7,459,636,900	\$ 7,393,038,100	6.44%	34.89%	99.12%	2.44	2.42
2024	\$ 7,008,231,900	\$ 5,480,593,700	6.80%	-0.39%	78.23%	3.19	2.50
2023	\$ 6,561,838,500	\$ 5,502,017,510	9.42%	-0.20%	83.98%	3.13	2.63
2022	\$ 5,997,009,400	\$ 5,513,294,270	10.99%	2.20%	91.91%	3.11	2.86
2021	\$ 5,403,150,300	\$ 5,394,765,380	3.26%	13.51%	100.08%	3.08	3.08
2020	\$ 5,232,431,000	\$ 4,752,781,430	3.64%	1.23%	90.89%	3.44	3.12
2019	\$ 5,048,795,100	\$ 4,695,007,360	5.23%	1.30%	94.13%	3.28	3.09
2018	\$ 4,797,857,000	\$ 4,634,818,260	4.06%	1.94%	96.77%	3.21	3.11
2017	\$ 4,610,493,300	\$ 4,546,665,300	2.94%	1.12%	99.11%	3.16	3.13
2016	\$ 4,478,909,700	\$ 4,496,425,740	2.69%	1.40%	101.19%	3.15	3.19
2015	\$ 4,361,728,700	\$ 4,434,357,420	5.69%	1.20%	101.66%	3.07	3.12
2014	\$ 4,126,761,500	\$ 4,381,678,460	6.16%	1.12%	106.26%	3.06	3.25
2013	\$ 3,887,126,100	\$ 4,333,102,850	-2.14%	0.59%	109.84%	3.05	3.35
2012	\$ 3,972,167,500	\$ 4,307,824,150	-3.02%	0.22%	108.82%	3.04	3.31
2011	\$ 4,095,830,700	\$ 4,298,250,060	-3.02%	-0.30%	104.83%	3.04	3.19
2010	\$ 4,223,167,500	\$ 4,311,319,640	-3.31%	0.23%	102.73%	3.05	3.13
2009	\$ 4,367,555,400	\$ 4,301,588,180	-2.95%	16.21%	98.83%	3.06	3.02
2008	\$ 4,500,402,700	\$ 3,701,617,610	-1.51%	1.79%	81.87%	3.41	2.79

**CITY OF MEQUON, WISCONSIN  
TAX ASSESSMENT AND TAX RATE DATA: 1980-2025**

2007	\$	4,569,210,700	\$ 3,636,554,230	8.41%	1.58%	79.59%	3.41	2.71
2006	\$	4,214,913,800	\$ 3,580,161,410	5.44%	2.33%	84.77%	3.40	2.88
2005	\$	3,997,387,500	\$ 3,498,791,220	6.34%	1.64%	87.53%	3.41	2.98
2004	\$	3,758,931,200	\$ 3,442,330,884	9.12%	2.03%	91.78%	3.39	3.11
2003	\$	3,444,894,300	\$ 3,373,684,790	7.37%	1.79%	98.10%	3.38	3.32
2002	\$	3,208,504,100	\$ 3,314,203,365	7.27%	29.13%	103.41%	3.30	3.41
2001	\$	2,991,050,200	\$ 2,566,534,690	6.46%	2.77%	85.80%	4.05	3.47
2000	\$	2,809,583,200	\$ 2,497,266,230	11.18%	2.56%	88.88%	4.13	3.67
1999	\$	2,527,012,500	\$ 2,434,927,880	6.89%	1.91%	96.90%	3.96	3.84
1998	\$	2,364,046,100	\$ 2,389,243,015	3.76%	1.66%	99.21%	3.85	3.82
1997	\$	2,278,318,200	\$ 2,350,336,700	6.31%	36.88%	103.67%	3.85	3.99
1996	\$	2,142,994,400	\$ 1,717,130,200	6.58%	3.27%	80.55%	4.92	3.96
1995	\$	2,010,609,500	\$ 1,662,698,300	10.27%	4.33%	82.87%	5.48	4.54
1994	\$	1,823,425,900	\$ 1,593,761,900	6.99%	3.96%	87.62%	5.49	4.81
1993	\$	1,704,307,400	\$ 1,533,109,000	8.53%	4.64%	91.90%	5.50	5.05
1992	\$	1,570,358,300	\$ 1,465,104,000	13.33%	5.64%	95.89%	5.56	5.33
1991	\$	1,385,590,000	\$ 1,386,869,800	13.92%	10.56%	100.20%	5.57	5.58
1990	\$	1,216,304,200	\$ 1,254,445,430	14.20%	28.45%	104.21%		
1989	\$	1,065,057,600	\$ 976,589,880	15.95%	6.93%	91.70%		
1988	\$	918,531,700	\$ 913,268,310	8.21%	5.02%	99.39%		

**CITY OF MEQUON, WISCONSIN  
TAX ASSESSMENT AND TAX RATE DATA: 1980-2025**

1987	\$	848,864,700	\$ 869,588,230	12.39%	129.27%	102.45%		
1986	\$	755,278,900	\$ 379,293,780	0.75%	3.28%	50.22%		
1985	\$	749,686,700	\$ 367,247,090	3.15%	-	48.99%		
1984	\$	726,821,300		2.44%	-			
1983	\$	709,495,500		0.90%	-			
1982	\$	703,185,200		5.14%	-			
1981	\$	668,783,000		2.97%	-			
1980	\$	649,471,060		-	-			



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**Finance**

**TO: Committee of the Whole**  
**FROM: Brenda Arnett, Finance Director**  
**DATE: June 4, 2026**  
**SUBJECT: Amendments to Financial Policies**

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### **Background**

Sound fiscal management requires municipalities to periodically review and update their financial policies to ensure they remain aligned with current economic conditions, operational needs, and evolving best practices in public finance.

During the City of Mequon’s Long-Range Financial Planning Workshop in July 2025, Financial Advisors from Ehlers & Associates, Inc. identified the need to revise or eliminate Financial Policy Statement 9 regarding Debt Management. Ehlers described the policies as unnecessarily restrictive and rather unique to the City of Mequon. In addition, during the FY2025 Audit, the City’s auditor Baker Tilly US, LLP recommended updating the capital asset thresholds contained in the Appendix of the Financial Policies, to better reflect current economic conditions and asset values.

Regular evaluation of these policies allows local governments to identify outdated or unnecessarily restrictive provisions, strengthen internal controls, preserve fiscal flexibility, and ensure that financial practices continue to support the community’s strategic and capital planning objectives.

### **Analysis**

City staff worked collaboratively with Ehlers and Baker Tilly to revise the Financial Policies within Section 9 pertaining to Debt Management. Specifically, Policy 9.B.1 now refers to general obligation debt as “indebtedness” rather than “bonds” to accommodate the issuance of General Obligation Promissory Notes. Further, municipal debt issuances are restricted to a term of no more than 20 years; thus, the previous term of indebtedness referring to “30” years has been changed to “20.” Policy 9.B.3 was unnecessarily restrictive as it pertained to borrowing. The new policy states that the City will obtain financing, when necessary, as efficiently as possible, with the most favorable interest rate and other costs obtained maintaining future flexibility. The City will also follow guidelines that meet the methodologies of their rating agency.

The Capital Asset Fund provisions within the Appendix were updated to reflect current industry

standards for Capital Asset thresholds. Baker Tilly suggested increasing the initial cost of an asset from \$5,000 to \$10,000 and infrastructure should be a \$50,000 minimum. In the attached Policy Statement 9 and Capital Asset Fund section from the Appendix, the proposed revisions are identified in red, and the deleted language is shown with strikethrough formatting. Please reference the revised policies attached to this memorandum.

As Council and staff consider future financial decisions for the City, the current Reserve Requirements from Policy Statement 3 are also attached for reference.

**Fiscal Impact**

While there is not a fiscal impact at this time, the policy changes are important for future financial decisions. Pending the Committee’s concurrence with the recommended amendments as proposed, City staff will prepare a resolution for adoption at a future Common Council meeting. Adoption of the revised policies will provide the City with more practical and flexible guidance regarding future borrowing practices and the treatment of capital assets.

**Recommendation**

Approval of the proposed amendments to the City’s Financial Policies.

Attachments:

Financial Policy Statement 3 Reserve Requirements, Financial Policy Statement 9 Debt Management, Financial Policies Appendix

### **POLICY STATEMENT 3 RESERVE REQUIREMENTS**

In order for the organization to be able to respond to unforeseen situations, as well as to positively impact the investment credit rating of the City, the City and the Sewer Utility will strive to maintain an undesignated General Fund Balance or Undesignated Cash Reserve of between ten (10) and twelve (12) percent of the current year's General Fund or Sewer Utility Operating Budget. Funds in excess of ten percent may, at the Common Council's discretion, be appropriated as follows:

- One-time capital improvements/projects;
- Debt abatement or defeasance;
- Other investments/programs that enhance efficiencies or reduce operating costs;
- Property tax reduction.

#### **Process Overview:**

Changes in fund balances occur primarily in one of two ways, either through net surpluses or deficits in the annual operating budgets, or through planned use of the fund balance as part of the annual budgeting process.

To provide the Common Council with the information necessary to be able to determine if the General Fund Balance or Undesignated Cash Reserve will be at the targeted level, the City Administrator will present information to the Common Council on current fund balances as a part of the annual budgeting process. Included in this presentation will also be staff's projections on any current year budget surpluses or deficits, and a five-year history of General Fund and other Undesignated Cash Reserve Balances.

## **POLICY STATEMENT 9 DEBT MANAGEMENT**

The City acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the City. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the City over a long period of time. Financing of these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments, special assessments, or any such combination thereof.

It is the responsibility of the Common Council and City staff to monitor the financial health of the City. A significant portion of the City's financial health is determined by its ability to manage its debt.

It is the responsibility of the City Administrator and/or Director of Finance or their designees to regularly monitor the City's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt to the Finance-Personnel Committee and Common Council.

### **Process Overview:**

#### **A. Financing Considerations**

1. The City will confine long-term borrowing to capital improvements or other long-term projects which cannot and, appropriately should not, be financed from current revenues and/or funds established for equipment replacement.
2. The City will not use long-term debt to finance current operations, nor will long-term debt be used to finance the cost of short-lived (less than seven years) depreciable assets.
3. In general, the final maturity of bonds and notes issued by the City should not exceed the expected useful life of the underlying project for which it is being issued.
4. The City will retire bond anticipation debt within six (6) months after completion of the underlying project or upon the next general debt issuance.

#### **B. Debt Limits**

1. The City will keep the maturity of all outstanding general obligation ~~bonds~~ **indebtedness** at or below ~~30~~**20** years.
2. Total general obligation debt, including any such proceeds allocated to the sewer and water utilities, will not exceed fifty percent (50%) of the State equalized valuation limitation of taxable property within the City.

3. Additionally, it is the objective of City Council that the City obtain financing when necessary, the process for identifying the timing and amount of debt or other financing be as efficient as possible, the most favorable interest rate and other related costs be obtained, and when appropriate, future financial flexibility be maintained. ~~the City Council will utilize the following two guidelines to ensure general obligation indebtedness is maintained within constitutional debt limitations and non-self-supporting (net) tax-supported debt outstanding is maintained within a targeted range:~~

- ~~The City will further follow guidelines relative to amount and structuring that meets the methodologies of their rating agency, for example debt service cost percentage of revenues and direct debt 10-year amortization percentage.~~  
~~General Obligation Debt Outstanding as a Percent of Assessed Valuation 0 < 1%~~
- ~~Net Tax-Supported Debt Service as a Percent of General Fund Revenue 0 < 20%~~

#### C. Financial Advisors

1. The City will utilize the services of a qualified financial advisor in monitoring its debt and debt service.
2. The City should strive to maintain a long-term relationship with a financial advisor to allow for continuity and consistency in services provided by the advisor. However, the arrangement between the financial advisor and the City should be examined every three (3) to five (5) years or as deemed necessary by City staff, the Finance-Personnel Committee and/or the Common Council.
3. All feasible alternatives (for example, State Trust Fund loans and private placements with local financial institutions) for borrowing funds should be considered by the City and the financial advisor, depending on the uniqueness of the items or projects being financed by long-term debt.
4. All costs related to the issuance of long-term debt, including fees for professional services, underwriting fees, and the interest costs over the term of the debt issue, must be considered and carefully evaluated for each borrowing.
5. The City will work with its financial advisor to ensure that long-term debt issues are structured to protect the interest of the City for the present and in the future (for example, the inclusion of call provisions to protect the City against future interest rate fluctuations or other circumstances).

#### D. Other Considerations

1. The City will maintain consistent, accurate, and timely communications with bond rating agencies regarding its financial condition.
2. The City will follow a policy of full disclosure in all financial reporting, including bond prospectuses and continuing disclosure agreements required under SEC Rule 15c2-12(b)(5).
3. This policy will be reviewed by the Finance-Personnel Committee every three (3) to five (5) years, or as deemed necessary by City staff, the Finance-Personnel Committee, and/or the Common Council.

**FINANCIAL POLICIES  
APPENDIX A**

<b>General Budget Calendar</b>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monitor Current Year Budget/Actual Revenues and Expenditures												
Review Prior Year Budget Results												
External Audit of Prior Year Financials												
Final Financial Reports Issued												
Prepare Annual Update to 5-Year Capital Improvement Plan & 5-Year Financial Forecast												
Budget Requests Prepared by Department Heads												
Review and Refine Budget Requests with City Budget Team												
Present Preliminary Budget to Appropriations Committee												
Present Recommended Budget to Common Council for Consideration and Adoption												

**Supplementary Budgeting Information**

The City budget includes five major funds for which appropriations may be made, including the General Fund, Capital Projects Fund, Debt Service Fund, Sewer Fund and the Water Utility Fund. Each of these funds contains its own self-balancing set of accounts in order to separate and track expenditures. Some of the details of these funds and their purposes are described as follows:

**GENERAL FUND**

Included in the General Fund are the annual operating costs of the City. Tax appropriations and other revenue sources for the General Fund are presented for the City as a whole, separately from expenditures, and are not intended to be associated with specific operating departments. Expenditures for the City are presented by operating departments, which can be organized into five functional areas: General Government, Public Safety, Public Works, Community Enrichment and Community Development.

The General Government group includes the following City departments and/or divisions: Common Council, City Administrator, City Clerk, Elections, Information Technology, Finance, City Assessor, Human Resources and Legal Services.

The Public Safety group includes the following areas: Police and Fire & EMS.

The Public Works group includes the following divisions: Engineering, Highway, Building Maintenance, Fleet Maintenance and Forestry.

The Community Enrichment group includes the following areas: Parks, Pool and the Library.

The Community Development group includes the City's Planning and Inspections Divisions.

Additionally, each department's expenditures are further divided into the following five main categories: Salaries, Fringe Benefits, Materials & Supplies, Purchased Services and Equipment. Appropriations in the General Fund lapse at year end to the fund balance, unless specifically authorized by the Common Council to be otherwise transferred.

### **CAPITAL PROJECTS FUND**

The Capital Projects Fund section of the budget lists the specific capital projects that resources are being allocated to in the upcoming fiscal year, and the amount of funds allocated to each project. Capital assets are generally defined as assets that have an initial cost of more than ~~\$5,000~~ **\$10,000, \$50,000 or more for infrastructure**, and estimated useful life in excess of one year following the date of acquisition. Expenditures that do not meet these requirements will be funded out of departmental operating budgets in the General Fund.

Appropriations in the Capital Projects Fund are placed directly into non-lapsing sinking fund accounts for each project in order to facilitate the appropriate tracking of expenditures and the ability to accumulate sufficient funds over a multi-year period to fund major expenditures. The City's use of sinking funds for large capital expenditures is also a means of reducing the variability of appropriations needed to fund these expenditures in any one fiscal period. This approach is used by the City for most major vehicle or other equipment replacement needs.

The balances in these accounts are for specific projects approved by the Common Council and are carried forward until either the project has been completed or, with the approval of the Common Council, the balances are transferred to meet other needs.

### **DEBT SERVICE FUND**

The Debt Service Fund is used to account for the payments of principal, interest and other servicing costs for the long-term debt of the City. The City uses General Obligation debt only to finance the cost of major capital assets or projects and not for normal operating expenditures of the government. The final maturity of bonds and notes should generally not exceed 20 years, or the expected useful life of the underlying project, for which they were issued. The City's debt limit is restricted by Wisconsin State Statutes to no more than 5% of the equalized property value of all taxable property within the jurisdiction.

### **SEWER UTILITY FUND**

The Sewer Utility Fund is an enterprise fund established to account for the operations of the City's sewer utility. Enterprise funds are used for major governmental activities which function as separate business type units.

The operations budget of the sewer utility is funded entirely by user fees. Conversely, annual capital charges, including those assessed by the Milwaukee Metropolitan Sewerage District (MMSD), are paid through an annual tax levy that is assessed to users residing within the City's designated Sanitary Sewer Service Area.

## **WATER UTILITY FUND**

The Water Utility fund is an enterprise fund established for the operations of the City's water utility. Enterprise funds are used for major governmental activities which function as separate business type units. The operations budget of the water utility is funded entirely by user fees.

*Revised August 2024*

## RATING FACTORS OF COMPARABLE COMMUNITIES

Municipality	Current Rating	Overall Debt Burden	Direct Debt Burden	Payout, 10-Years	Direct Debt Per Capita	Overall Debt Per Capita	Average Annual Growth FV	Undesignated Gen. Fund % of Total Op. Rev.	% of Exp. for Debt Service	Adj Gross Inc Per Return (2025)	Adj Gross Inc as % of State (2025)	Per Capita Eq. Value (2025)	Eq. Value TID - IN (2025)	Population (2025)	Last update
Mequon	AA	1.32%	0.49%	100.00%	\$1,168	\$3,605	7.38%	19.43%	7.87%	\$207,721	271.04%	\$296,866	7,459,636,900	25,128	05/28/26
River Hills	Aa3	5.47%	1.77%	84.11%	\$7,757	\$21,124	7.39%	36.67%	13.09%	\$591,308	771.56%	\$439,111	691,160,800	1,574	05/28/26
Cudahy	Aa3	2.63%	0.98%	80.12%	\$1,085	\$2,923	8.71%	49.00%	8.34%	\$58,878	76.83%	\$112,452	2,012,889,800	17,900	05/28/26
Bayside	Aa2	5.10%	0.81%	98.86%	\$1,916	\$11,984	10.13%	43.79%	8.59%	\$435,629	568.42%	\$235,196	1,074,374,700	4,568	05/28/26
Cedarburg	Aa2	2.32%	0.96%	80.20%	\$1,892	\$4,566	7.44%	35.87%	6.97%	\$126,482	165.04%	\$197,129	2,557,946,100	12,976	05/28/26
Franklin	Aa2	2.68%	0.81%	86.73%	\$1,584	\$5,260	9.61%	42.35%	3.16%	\$101,625	132.60%	\$196,451	7,245,524,200	36,882	05/28/26
Germantown	Aa2	2.71%	2.35%	69.50%	\$4,938	\$5,692	8.84%	24.64%	15.27%	\$99,891	130.34%	\$210,167	4,424,654,900	21,053	05/28/26
Grafton	Aa2	1.98%	0.80%	76.13%	\$1,527	\$3,778	10.31%	33.27%	15.45%	\$99,411	129.72%	\$191,204	2,509,357,300	13,124	05/28/26
Greendale	Aa3	4.92%	2.01%	51.65%	\$3,036	\$7,425	6.18%	38.69%	10.53%	\$85,010	110.92%	\$150,822	2,205,320,600	14,622	05/28/26
Greenfield	Aa2	4.23%	1.82%	85.92%	\$2,371	\$5,511	6.84%	28.09%	13.56%	\$68,252	89.06%	\$130,363	4,907,502,600	37,645	05/28/26
Shorewood	Aa2	5.80%	2.22%	72.34%	\$4,028	\$10,531	6.92%	51.42%	17.03%	\$138,884	181.22%	\$181,757	2,497,886,000	13,743	05/28/26
Verona	Aa2	2.95%	0.66%	94.27%	\$1,851	\$8,246	7.61%	53.90%	14.86%	\$137,424	179.32%	\$279,416	4,693,079,100	16,796	05/28/26
West Allis	Aa2	2.62%	1.12%	82.54%	\$1,189	\$2,783	8.30%	31.76%	5.86%	\$59,141	77.17%	\$106,186	6,406,506,900	60,333	05/28/26
Sun Prairie	Aa2	4.91%	1.50%	77.99%	\$2,420	\$7,932	10.92%	16.70%	10.51%	\$89,330	116.56%	\$161,525	6,473,743,000	40,079	05/28/26
Whitefish Bay	Aa1	3.02%	1.50%	71.00%	\$3,788	\$7,645	8.62%	35.65%	17.47%	\$225,499	294.24%	\$252,776	3,726,927,500	14,744	05/28/26

Source: Moody's Investor's Service Most Recent Credit Reports & Village or City Audits, State of Wisconsin (DOR)

<b>PROJECT: EXPENDITURE TYPE</b>	<b>COMMON COUNCIL APPROVED</b>	<b>EXECUTED EXPENDITURE</b>	<b>REMAINING APPROVED FUNDS</b>	<b>REMAINING EXPECTED EXPENDITURE</b>
<b>MEQUON ROAD &amp; OIT CROSSING &amp; RRX</b> Danish Crossing Reconfiguration Road Geometry   Lane Narrowing Safety Features and Crosswalks Entrways Traffic Signals Streetscape Pavement Markings Railroad Ped Crossing Signals Street and Median Lighting	\$ 2,910,300	\$ 2,729,030	\$ 181,270	\$ 259,600
<b>SIGNAGE</b> Entryways OIT Directional Banners Regulatory	\$ 127,500	\$ 79,239	\$ 48,217	\$ 49,338
<b>OH UTILITY BURIAL</b> We Energies Charter	\$ 1,520,500	\$ 1,486,000	\$ 34,500	\$ -
<b>STREET FENCING</b>	\$ 22,680	\$ 21,180	\$ 1,500	\$ 4,500
<b>STREET LANDSCAPING</b>	\$ 41,520	\$ 24,600	\$ 16,920	\$ 45,000
<b>STREET FURNITURE</b>	\$ 36,170	\$ 35,400	\$ 770	\$ 500
<b>BUNTROCK AVENUE</b> Sidewalk On-street Parking	\$ 45,000	\$ 43,500	\$ 1,500	\$ -
<b>PAVEMENT MARKINGS</b> On-street Parking Crossings	\$ 40,395	\$ 29,000	\$ 11,395	\$ 17,000
<b>LAND ACQUISITION</b> Easements for burial	\$ 20,000	\$ 22,000	\$ (2,000)	\$ -
<b>MAINTENANCE FUND</b>	\$ 25,000	\$ 21,400	\$ 3,600	\$ 3,600
<b>Administration</b>	\$ 78,560	\$ -	\$ 78,560	
<b>CONTINGENCY</b>	\$ 487,000	\$ -	\$ 487,000	
<b>RAM</b>	\$ 340,200	\$ 340,200	\$ -	\$ -
<b>TOTALS</b>	<b>\$ 5,694,825</b>	<b>\$ 4,831,549</b>	<b>\$ 863,231</b>	<b>\$ 379,538</b>
<b>BALANCE</b>				<b>\$ 483,693</b>

# **City of Mequon Tax Incremental District No. 3**

Financial Statements and  
Supplementary Information

December 31, 2024

# City of Mequon Tax Incremental District No. 3

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December 31, 2024

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## **Independent Auditors' Report**

To the City Council of  
City of Mequon

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying Combined Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and Historical Summary of Sources, Uses and Status of Funds of the City of Mequon's Tax Incremental District No. 3 (District) as of December 31, 2024 and from the date of creation through December 31, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of District and the net project costs to be recovered through tax increments as of December 31, 2024 and the sources, uses and status of funds from the date of creation through December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the transactions of the District and do not purport to, and do not, present fairly the financial position of the City of Mequon, Wisconsin, as of December 31, 2024, and the changes in financial position, or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tax Incremental District No. 3's financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

## Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 6, 2026 on our tests of its compliance with Wisconsin State Statutes Section 66.1105. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
March 6, 2026

## City of Mequon Tax Incremental District No. 3

Combined Balance Sheet

December 31, 2024

	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and investments	\$ 5,984,939	\$ (7,559,247)
Cash and investments - Escrow	-	1,171,929
Taxes receivable	2,609,684	-
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 8,594,623</u>	<u>\$ (6,387,318)</u>
<b>Deferred Inflows of Resources and Fund Balances (Deficit)</b>		
<b>Deferred Inflows of Resources</b>		
Unearned revenue	\$ 2,609,684	\$ -
	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>2,609,684</u>	<u>-</u>
<b>Fund Balances (Deficit)</b>		
Restricted	5,984,939	-
Unassigned (deficit)	-	(6,387,318)
	<u>                    </u>	<u>                    </u>
Total fund balances (deficit)	<u>5,984,939</u>	<u>(6,387,318)</u>
Total deferred inflows of resources and fund balances (deficit)	<u>\$ 8,594,623</u>	<u>\$ (6,387,318)</u>

See notes to financial statements

## City of Mequon Tax Incremental District No. 3

Historical Summary of Project Costs, Project Revenues and

Net Cost to be Recovered Through Tax Increments

From the Date of Creation Through December 31, 2024

### Project Costs

Capital expenditures	\$ 10,183,332
Administration (in-house)	117,476
Professional services - planning, engineering, other	836,022
Developer grants	5,169,558
Interest and fiscal charges on long-term debt	4,528,790
Discount on long-term debt	86,875
Debt issuance costs	102,643
	<hr/>
Total project costs	21,024,696

### Project Revenues

Tax increments	12,323,204
Exempt computer and personal property aid	101,792
Intergovernmental	505,763
Investment income	861,034
Special assessments	205,000
Interest rebates	1,287,693
Miscellaneous revenues	314,007
Premium on debt issued	271,209
	<hr/>
Total project revenues	15,869,702

Net cost to be recovered through tax increments, December 31, 2024	<hr/> <hr/> <u>\$ 5,154,994</u>
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### Reconciliation of Recoverable Costs

G.O. debt	\$ 4,855,000
Add fund balance deficit	299,994
	<hr/>
Net cost to be recovered through tax increments, December 31, 2024	<hr/> <hr/> <u>\$ 5,154,994</u>

## City of Mequon Tax Incremental District No. 3

Historical Summary of Sources, Uses and Status of Funds  
From the Date of Creation Through December 31, 2024

### Sources of Funds

Tax increments	\$ 12,323,204
Exempt computer and personal property aid	101,792
Intergovernmental	505,763
Investment income	861,034
Special assessments	205,000
Interest rebates	1,287,693
Miscellaneous revenues	314,007
Premium on debt issued	271,209
Long-term debt issued	14,700,000

Total sources of funds 30,569,702

### Uses of Funds

Capital expenditures	10,183,332
Administration (in-house)	117,476
Professional services - planning, engineering, other	836,022
Developer grants	5,169,558
Interest and fiscal charges on long-term debt	4,528,790
Discount on long-term debt	86,875
Debt issuance costs	102,643
Principal on long-term debt	9,845,000

Total uses of funds 30,869,696

**Fund Balance (Deficit), December 31, 2024** \$ (299,994)

# City of Mequon Tax Incremental District No. 3

Notes to Financial Statements  
December 31, 2024

## 1. Summary of Significant Accounting Policies

The accounting policies of the City of Mequon's Tax Incremental District (TID) No. 3 (the District) conform to accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Section 66.1105.

The City of Mequon (the City) has implemented accounting principles generally accepted in the United States of America to the extent they apply in determining the scope of the activity of the District. The accompanying financial statements reflect all the significant operations of the District. The accompanying financial statements do not include the full presentation of the City.

### Description of Fund Structure and Long-Term Debt

This report contains the financial information of the District. The summary statements were prepared from data recorded in the following funds and the City's long-term debt:

TID No. 3 - Debt Service Fund  
TID No. 3 - Capital Projects Fund

Detailed descriptions of the purpose of these funds and long-term debt can be found in the City's basic financial statements.

The data was consolidated for purposes of this report. Therefore, the amounts shown in the accompanying statements will not directly correlate with amounts shown in the basic financial statements.

The District was created under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvement costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the District. The tax on the increased value is called a tax increment.

The statutes allow the District to collect tax increments until the net project cost has been fully recovered, or until 23 years after the creation date, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the City. Project costs may be incurred up to five years before the unextended termination date of the District.

### Original Project Plan

	<u>Creation Date</u>	<u>Last Date to Incur Project Costs</u>	<u>Last Year to Collect Increment</u>
TID No. 3	January 1, 2008	April 15, 2023	2028

### Plan Amendment

	<u>Adoption Date</u>	<u>Last Date to Incur Project Costs</u>
TID No. 3 - Amendment 1	February 12, 2013	April 15, 2023
TID No. 3 - Amendment 2	August 25, 2018	April 15, 2023

## City of Mequon Tax Incremental District No. 3

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Notes to Financial Statements  
December 31, 2024

### **Basis of Accounting**

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the District is entitled to the aids.

Special assessments are recorded as revenues when collected. Annual installments due in future years are accounted for as receivables and unavailable revenues. \$0 of outstanding special assessments are receivable as of the date of this report.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Measurement Focus**

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unavailable or unearned revenue or as nonspendable fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

### **Project Plan Budget**

The estimated revenues and expenditures of the District are adopted in the project plan. Those estimates are for the entire life of the District and may not be comparable to interim results presented in this report.

### **Long-Term Debt**

Short-term liabilities are recorded as fund liabilities. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

# City of Mequon Tax Incremental District No. 3

Notes to Financial Statements  
December 31, 2024

## Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

## 2. Cash and Temporary Investments

The District invests its funds in accordance with the provisions of the Wisconsin Statutes 66.0603(1m) and 67.11(2).

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The District, as a fund of the City, maintains separate and common cash and investment accounts at the same financial institutions utilized by the City. Federal depository insurance and the State of Wisconsin Guarantee fund insurance apply to the City as an individual municipality and, accordingly, the amount of insured funds is not determinable for the District.

## 3. Long-Term Debt

### General Obligation

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds borrowed to finance the District's expenditures will be retired by tax increments accumulated by the Debt Service fund. If those revenues are not sufficient, payments will be made by future tax levies.

Title of Issue	Date of Issue	Due Date	Interest Rate	Original Indebtedness	Repaid	Balance 12/31/2024
2009 G.O. Bonds	08/05/2009	08/01/2028	4.00-6.00 %	\$ 6,950,000	\$ 6,950,000	\$ -
2020A G.O. Refunding Bonds	02/06/2020	08/01/2028	2.00-3.00	5,030,000	2,195,000	2,835,000
2022A G.O. Promissory Notes	03/24/2022	03/01/2028	2.00-3.00	<u>2,720,000</u>	<u>700,000</u>	<u>2,020,000</u>
Total				<u>\$ 14,700,000</u>	<u>\$ 9,845,000</u>	<u>\$ 4,855,000</u>

Aggregate maturities of all long-term debt relating to the District are as follows:

Calendar Year	Principal	Interest	Total
2025	\$ 1,150,000	\$ 101,100	\$ 1,251,100
2026	1,195,000	69,100	1,264,100
2027	1,230,000	45,200	1,275,200
2028	<u>1,280,000</u>	<u>20,400</u>	<u>1,300,400</u>
Total	<u>\$ 4,855,000</u>	<u>\$ 235,800</u>	<u>\$ 5,090,800</u>

## City of Mequon Tax Incremental District No. 3

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Notes to Financial Statements  
December 31, 2024

### 4. Developer Agreements and Tax Abatements

The City entered into a tax abatement agreement with Dermond Property Investments LLC in the form of a tax incremental financing incentive payment to stimulate economic development. The developer pays property taxes as they become due, and after meeting the criteria established in the development agreement, is entitled to a future incentive payment that directly correlates to the taxes paid. The incentive is calculated based on annual payments and the developer commitment includes that the project will result in a minimum value of \$8,000,000. As of December 31, 2024, the cumulative payments made to the developer were \$271,758. The remaining obligation under this agreement as of December 31, 2024 is \$375,669.

The City entered into a tax abatement agreement with Outpost Natural Foods Cooperative in the form of a tax incremental financing incentive payment to stimulate economic development. The developer pays property taxes as they become due, and after meeting the criteria established in the development agreement, is entitled to a future incentive payment that directly correlates to the taxes paid. The incentive is calculated based on a fixed annual payment of \$25,270 for 13 years and the developer commitment includes that the project will result in a minimum value of \$3,000,000. As of December 31, 2024, the cumulative payments made to the developer were \$231,643. The remaining obligation under this agreement as of December 31, 2024 is \$96,875. The City entered into a developer agreement with Wired Shaffer Mequon LLC for District redevelopment. Upon certain conditions, the City is to pay the developer a one-time grant incentive of \$1,800,000. This grant was paid in 2014 and as of December 31, 2024, the cumulative payments made to the developer were \$1,800,000.

The City entered into a tax abatement agreement with Foxtown Center LLC in the form of a tax incremental financing incentive payment to stimulate economic development. The developer pays property taxes as they become due, and after meeting the criteria established in the development agreement, is entitled to a future incentive payment that directly correlates to the taxes paid. The incentive is calculated based on annual payments and the developer commitment includes that the project will result in a minimum value of \$50,000,000. In addition, the City agreed to pay public improvement cost reimbursement in the amount of \$293,701. As of December 31, 2024, the cumulative payments made to the developer were \$2,261,157. The remaining obligation under this agreement as of December 31, 2024 is \$405,663.

The City entered into a developer agreement with P2 Development Company for District redevelopment. Upon certain conditions, the City is to pay incentive payments of up to \$250,000. As of December 31, 2024, the cumulative payments made to the developer were \$250,000.

The City entered into a developer agreement with Thiensville-Mequon Rotary Foundation for District redevelopment. Upon certain conditions, the City is to pay a cash incentive payment of \$150,000 and provide a loan of up to \$510,000 to finance the gap resulting from delayed availability of funds due to multi-year pledges. As of December 31, 2024, the cumulative payments made to the developer were \$355,000.

### 5. Payment to District Expenditure Account

On April 14, 2023 the City deposited \$1,108,325 into a District Expenditure account whose funds will be used to cover payments made on contracts for project work executed prior to the last date to incur project costs of April 15, 2023. As of December 31, 2024 \$38,781 of costs have been paid for and \$102,385 has been earned in investment income on this escrow account.

**City of Mequon Tax Incremental District No. 3**

Detailed Schedule of Sources, Uses and Status of Funds  
From the Date of Creation Through December 31, 2024

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Sources of Funds</b>										
Tax increments	\$ -	\$ -	\$ 5,005	\$ 23,934	\$ -	\$ -	\$ -	\$ 23,798	\$ 145,511	\$ 499,425
Exempt computer and personal property aid	-	-	2,383	2,509	3,575	3,993	3,613	3,124	4,305	6,906
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Investment income	-	23,019	14,474	-	-	32	119	115	546	1,914
Investment income - Escrow	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-
Interest rebates	-	-	130,440	65,953	197,859	126,168	122,409	126,387	120,979	117,184
Miscellaneous revenues	-	35,690	-	12,291	-	1,590	600	100	2,000	7,506
Premium on debt issued	-	-	-	-	-	-	-	-	-	-
Long-term debt issued	-	6,950,000	-	-	-	-	-	-	-	-
Total sources of funds	-	7,008,709	152,302	104,687	201,434	131,783	126,741	153,524	273,341	632,935
<b>Uses of Funds</b>										
Capital expenditures	48,864	1,983,555	619,852	442,981	-	16,970	25,310	1,323,419	30,114	-
Administration (in-house)	10,258	-	72,995	9,804	150	7,150	150	150	380	1,900
Professional services - planning, engineering, other	9,000	49,292	2,000	47,822	15,542	21,580	-	11,365	8,882	88,658
Developer grants	-	-	-	-	-	-	1,800,000	4,209	25,270	25,270
Interest and fiscal charges on long-term debt	-	44,425	372,688	376,875	376,875	376,875	376,875	376,876	370,875	359,625
Discount on long-term debt	-	86,875	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Principal on long-term debt	-	-	-	-	-	-	-	150,000	250,000	250,000
Total uses of funds	68,122	2,164,147	1,067,535	877,482	392,567	422,575	2,202,335	1,866,019	685,521	725,453

**Fund Balance (Deficit), December 31, 2024**

**City of Mequon Tax Incremental District No. 3**

Detailed Schedule of Sources, Uses and Status of Funds  
From the Date of Creation Through December 31, 2024

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>	<u>Project Plan Estimate</u>
<b>Sources of Funds</b>									
Tax increments	\$ 660,969	\$ 795,712	\$ 1,519,088	\$ 2,173,981	\$ 1,836,267	\$ 2,146,100	\$ 2,493,414	\$ 12,323,204	\$ 24,841,809
Exempt computer and personal property aid	7,008	7,177	7,177	7,177	7,177	7,177	28,491	101,792	67,790
Intergovernmental	150,000	355,763	-	-	-	-	-	505,763	-
Investment income	1,542	5,117	13,960	679	44,169	276,004	376,959	758,649	613,321
Investment income - Escrow	-	-	-	-	-	41,190	61,195	102,385	-
Special assessments	-	-	-	20,250	184,750	-	-	205,000	-
Interest rebates	113,679	109,241	57,394	-	-	-	-	1,287,693	1,037,057
Miscellaneous revenues	71,136	7,966	174,278	-	-	850	-	314,007	9,506
Premium on debt issued	-	-	271,209	-	-	-	-	271,209	-
Long-term debt issued	-	-	5,030,000	-	2,720,000	-	-	14,700,000	13,490,000
Total sources of funds	<u>1,004,334</u>	<u>1,280,976</u>	<u>7,073,106</u>	<u>2,202,087</u>	<u>4,792,363</u>	<u>2,471,321</u>	<u>2,960,059</u>	<u>30,569,702</u>	<u>40,059,483</u>
<b>Uses of Funds</b>									
Capital expenditures	190,925	1,082,302	435,303	131,373	-	2,947,653	904,711	10,183,332	7,010,968
Administration (in-house)	1,650	150	4,650	2,192	1,900	2,097	1,900	117,476	236,860
Professional services - planning, engineering, other	146,692	44,776	68,689	21,763	232,790	63,095	4,076	836,022	-
Developer grants	25,270	180,416	831,238	89,019	951,237	686,397	551,232	5,169,558	7,200,000
Interest and fiscal charges on long-term debt	347,750	332,750	238,863	132,570	118,600	192,368	133,900	4,528,790	4,230,261
Discount on long-term debt	-	-	-	-	-	-	-	86,875	-
Debt issuance costs	-	-	79,979	-	22,664	-	-	102,643	176,096
Principal on long-term debt	300,000	350,000	5,650,000	440,000	540,000	885,000	1,030,000	9,845,000	13,490,000
Total uses of funds	<u>1,012,287</u>	<u>1,990,394</u>	<u>7,308,722</u>	<u>816,917</u>	<u>1,867,191</u>	<u>4,776,610</u>	<u>2,625,819</u>	<u>30,869,696</u>	<u>32,344,185</u>
<b>Fund Balance (Deficit), December 31, 2024</b>								<u>\$ (299,994)</u>	

### City of Mequon Tax Incremental District No. 3

#### Detailed Schedule of Capital Expenditures

From the Date of Creation Through December 31, 2024

	<u>Actual</u>	<u>Project Plan Estimate</u>
Capital expenditures:		
Road improvements	\$ 3,454,858	\$ 638,817
Lighting	487,097	1,409,780
Landscaping and other features	1,825,630	874,011
Electrical system improvements	2,030,405	2,668,920
Sidewalks	65,137	85,000
Parking facilities and paths	994,420	321,800
Design and development	376,107	30,000
Park improvements	79,680	182,640
Water system looping	869,998	750,000
Stormwater management analysis	-	50,000
	<hr/>	<hr/>
Total capital expenditures	<u>\$ 10,183,332</u>	<u>\$ 7,010,968</u>

## Independent Auditors' Report on Other Legal and Regulatory Requirements

To the City Council of  
City of Mequon

We have audited the accompanying Combined Balance Sheet, Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments and the related Historical Summary of Sources, Uses and Status of Funds of the City of Mequon, Wisconsin's Tax Incremental District No. 3 (District) as of December 31, 2024 and from the date the District was created through December 31, 2024 and have issued our report thereon dated March 6, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, we noted that the District failed to comply with the following requirements of Wisconsin State Statutes Section 66.1105:

1. The required audit was not conducted within 12 months after 100% of the project expenditures were incurred.
2. The District has incurred \$2,334,709 of project expenditures after the allowable project completion date.

Our audit was not directed primarily toward obtaining knowledge as to whether the District failed to comply with Wisconsin State Statutes Section 66.1105, insofar as it relates to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

This report is intended solely for the information and use of the City Council, management and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.

*Baker Tilly US, LLP*

Milwaukee, Wisconsin  
March 6, 2026



# CITY OF MEQUON

SOUTHERN OZAUKEE FIRE DEPARTMENT  
MEQUON POLICE DEPARTMENT  
PUBLIC SAFETY FACILITIES  
PRE-DESIGN STUDY  
EXECUTIVE SUMMARY



SUBMITTED TO:  
CITY OF MEQUON  
11333 N CEDARBURG ROAD  
MEQUON, WI 53092

FGM Architects Inc.  
219 N. Milwaukee Street, Suite 325  
Milwaukee, WI 53202

June 4, FGMA  
Job # 26-4518.01

**City Facilities Team**

Will Jones	City Administrator
Kristen Lundeen, PE	Director of Public Works/City Engineer
David Bialk	Fire Chief
Mark Riley	Chief of Police
Nick Boehlke	Deputy Fire Chief
Justin Bodoh	Building and Grounds Superintendent

**FGM Architects Team**

Brian Wright, AIA, LEED AP	Principal
Andrew Mayo, AIA	Senior Associate
Carly Farrell	Associate

**Consultant Team**

Kraus- Anderson Construction Company



**PROJECT SUMMARY**

FGM Architects (FGMA), located in Milwaukee, Wisconsin, assisted the City of Mequon (City or Owner) and the Southern Ozaukee Fire Department to prepare a program, conceptual design, project budget and project schedule for a future Police Department facility. The goal of this study is to assess the current condition of the Mequon Public Safety Building and to determine the viability of renovating the facility to house the new Southern Ozaukee Fire Department Headquarters.

**General**

The city has consistently demonstrated its ability to address the challenges of working within the constraints of the Mequon Public Safety Building. The facility systems, however, are far past their useful life and are contributing to the decay of the current facility. In addition, some of the existing conditions contribute to lost productivity, low morale, and the ability to attract and retain staff.

**Project Understanding**

Through a series of studies, FGMA and the City of Mequon have analyzed the condition of the existing facilities along with the 2024 space needs analysis to assist with the development of potential solutions that will meet the long-term needs of each department and the City. The primary goal is to assess the space and operational needs and to ensure that the City is well positioned to take the steps necessary to provide for the recommended improvements and to reinforce the ability to service the community.





**Methodology of Approach**

General: This phase includes interviews, tours and review of the existing conditions – both from a building system and operations standpoint, program development, and a report of initial findings.

Data Collection: The FGMA Team reviewed the record documents provided by the City, including existing building drawings, previously completed facilities condition assessments, programming needs reports, organizational charts, standard operational procedures, maintenance records, etc. and/or other relevant information.

Project Kick-Off Meeting: FGMA facilitated a Kick-Off Meeting to identify key desires and concerns for the analysis and establish the project goals by which the City will measure the project’s success upon completion.

Confirmation of Existing Conditions: The FGMA & Kraus- Anderson (KA) Team performed a walk-through of the existing building and its respective site to confirm the existing conditions and observe visible elements and systems. As part of the site walk-through, FGMA & KA met with representatives of the City and departments to review and discuss issues of the facility and their operations. FGMA documented the shortcomings of the facility with regards to space, operations, efficiencies, etc.

Space Needs Analysis / Meetings with Key Stakeholders: Utilizing the list of staff to be interviewed during the Project Kick-Off Meeting, FGMA conducted interviews with key stakeholders. Interviews included confirmation of the programmatic needs based on current and future operations.

Space Needs Analysis / Program Development: Based on the information garnered from the interviews, meetings, codes and standards applicable to the existing facility, and best practices, FGMA will prepare a draft Program Statement detailing current and future space need requirements for the City. Included in the development program is an analysis of site requirements including parking for the respective departments, staff, and public.





**Methodology of Approach**

Preliminary Facility Needs Assessment and Report: Following the existing conditions review and space needs analysis, FGMA issued a preliminary report including a summary of findings. The report includes a summary of current use, operations, and staffing for the facility, existing floor plans, and a tabular and graphic program with area (square foot) summaries or similar diagrams for comparison. FGMA met with the City and respective departments to discuss the findings of the assessment and review options for a presentation to Common Council.

Potential Solution Development

Based on the review of existing data, site visits, interviews with key stakeholders and an understanding of the space needs requirements of each facility, FGMA developed two to three conceptual solutions on how to address the needs of each facility. The options include renovations, additions, and/or new facilities. This work is performed interactively with significant input from the City.

Conceptual Design

FGMA prepared preliminary diagrams, conceptual site plans, conceptual floor plans, and building sketches for the recommended improvements. Concepts developed for each site are diagrammatic in nature and graphically illustrate potential solutions. Conceptual plans are intended to be visual representations of the building programs and illustrate the proposed layout, flow, and access for operations.

Budgeting

Based on the conceptual diagrams and plans, FGMA and KA prepared preliminary opinions of probable construction costs to assist the City in preparing project budgets for each facility and a summary of the total budget. Project budgets typically include hard costs (construction costs) and soft costs (Owner’s costs including fees, furniture, fixtures, equipment, contingencies, etc.). Based on input from the City, final Project Budgets may include escalation for inflation and similar impacts on costs.





Presentation to City Council and/or Public Input Meeting: Following completion of the preliminary Space Needs Assessment and Report, FGMA recommends a presentation be made to the Common Council and/or the community. Alternatively, the presentation to City staff and respective departments would be a preview of a future presentation to Common Council. The primary goal of the presentation is to ensure that key stakeholders and constituents understand the identified deficiencies and space needs of the facility and the impact on the health, safety, accessibility, and operations of each department. In the case of this study for the City of Brookfield, FGMA will present to additional stakeholders prior to the typical Common Council presentation including the Finance Committee and the Public Safety Committee.





**PROJECT GOALS**

**Introduction**

For every project, it is important to establish clear goals and objectives which will be utilized to guide the direction of the solutions and decisions throughout the project. The primary goal of the Facilities Needs Assessment is to ensure that the City is well positioned to take the next steps necessary to maintain and improve the City-owned facilities that enable the City to continue delivering critical services.

**Project Goals**

The Facility Needs Assessment is intended to be a tool to help inform the community of needs related to the City and its departments. The initial objectives identified by the City include the following:

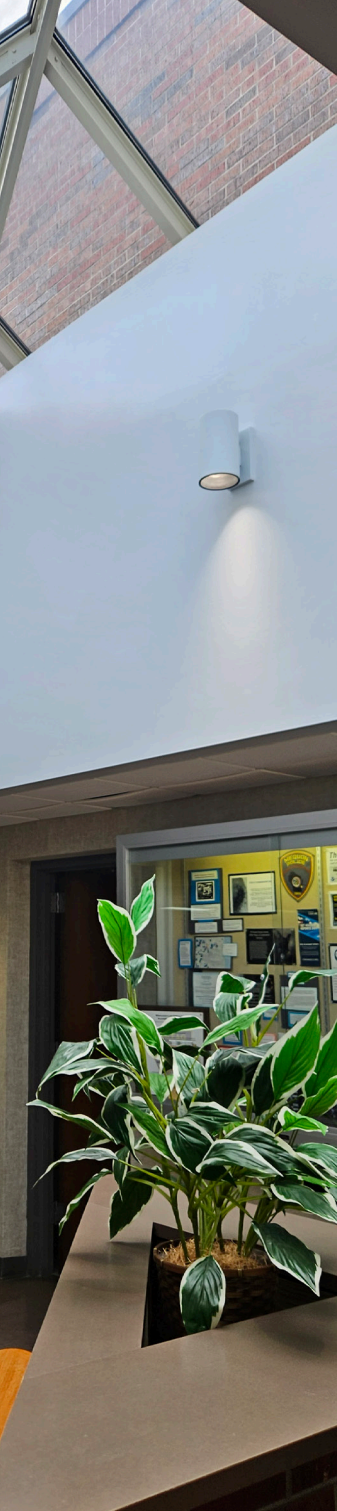
- Determine the feasibility of converting the existing Public Safety Building to a dedicated Fire Department Headquarters.
- Provide a cost comparison of renovating the existing Public Safety Building for the Fire Department Headquarters and the cost to demolish the building in its entirety and build new
- Understand the operational next steps as it relates to each path forward
- Develop a comprehensive narrative outlining the two potential solutions to be presented at the Council Planning Workshop
- Provide a high level opinion of probable cost for a potential new Police Department Facility based on the Police Space Needs Analysis completed by FGMA in 2024.
- Explore a solution that includes an updated exterior design to fit with the surrounding aesthetics.





## KEY FINDINGS

1. The existing Mequon Public Safety Building is approximately 45,000 SF. Based on the 2024 space needs analysis, the Southern Ozaukee Fire Department Headquarters need is approximately 31,400 SF.
2. Additional existing space in the Public Safety Building has been allocated to the city's long term storage needs, and training spaces to be shared by both police and fire departments.
3. As part of this study, a facility condition assessment was completed on the Public Safety Building. This assessment found deferred maintenance to be addressed in the next ten years of \$8.48M. Of that, \$2.52M is deemed high priority maintenance items over the next three years.
4. This study concludes that renovating the existing PSB as a new FD HQ is feasible. Prior to renovation, it is recommended that a new Police Station be built on land to be acquired. The Fire Department would be relocated temporarily during renovation work. This would allow the PSB renovation to occur as one project rather than in phases.
5. The cost to build a new 31,400 SF Fire Department Headquarters to be bid in Fall 2027 is approximately \$24M (not including site acquisition, legal fees, or borrowing costs).
6. The cost to fully renovate the existing PSB into a FD HQ - with the above noted storage and training spaces, to be bid in Spring 2029 is approximately \$20M (not including legal fees, or borrowing costs). This would also completely address the list of deferred maintenance items found in the facility condition assessment.
7. Based on the lack of available lots of suitable size (7+ acres) and in the location identified in the 2024 Fire Station Location Study; the recommendation is:
  - Acquire land (4+ acres) for a new Police Station
  - Design and construct the new Police Station
  - Identify a temporary location for Fire Department HQ
  - Renovate existing PSB as new FD HQ
  - Build new satellite Fire Station



### OPINION OF PROBABLE COST

When the conceptual site and floor plan layouts were completed, budgets were developed for the project. The initial budgets developed provide for a quality facility appropriate for the use with an appearance that will be complementary to the City.

FGMA and Kraus Anderson Construction, the cost estimator, have an extensive database of cost information and prepared detailed opinions of probable construction costs based on the size of the buildings and knowledge of system costs as the budgeting methodology for the conceptual budgets. Because limited design work has been performed, a budget range is provided for construction costs as well as a Total Project Budget that includes the following:

Construction Costs (Hard Costs) include construction (Bricks and Mortar), General Conditions, Insurance, Escalation, and design and construction contingencies.

Owner's Costs (Soft Costs) include Due Diligence, Professional Fees, Furniture, Fixtures and Equipment (FFE), and Project Contingency.

As the projects move from being conceptual to being implemented, these cost estimates should be refined to more accurately reflect design and operational decisions being made, as well as current market conditions. Our team has taken a conservative approach to estimating for this study. The intent is to ensure our budgets can be used as a planning tool for the city and future Capital Improvement Plans.

**PROJECT**

Combined New PSB (2028)	\$53.0M
Fire HQ Reno. In Existing PSB (2029)	\$20.4M
New Police Dept. (2028)	\$37.8M
New Fire Satellite Station (2028)	\$15.9M
New Fire HQ (2028)	\$23.7M

**PROJECT- OPTION 1**

Fire HQ Reno. In Existing PSB	\$20.4M
New Police Dept.	\$37.8M
New Fire Satellite Station	\$15.9M
Land Acquisition – 4 acres (\$300k/ac)	\$1.2M
<b>Total</b>	<b>\$75.3M</b>

**PROJECT- OPTION 2**

Combined New PSB	\$53.0M
New Fire Satellite Station	\$15.9M
Land Acquisition – 7 acres (\$300k/ac)	\$2.1M
<b>Total</b>	<b>\$71.0M</b>

**PROJECT- OPTION 3**

New Police Dept.	\$37.8M
New Fire Satellite Station	\$15.9M
New Fire HQ	\$23.7M
Land Acquisition – 4 + 5 acres (\$300k/ac)	\$2.7M
<b>Total</b>	<b>\$80.1M</b>

# Growth Pays For Growth

E-Quarterly Newsletter - December 2024



*By Jessica Cook, Director of Fiscal Consulting  
Jon Cameron, Senior Municipal Advisor | Managing Director  
Jason Aarsvold, Senior Municipal Advisor*

## **Best Practices for Implementing Impact Fees**

Many residents and policymakers in growing communities are concerned about the cost of infrastructure to serve new growth such as streets, utility extensions, and parks. A common philosophy in this realm of public finance is that “growth should pay for growth.” Impact and development fees are ways state statutes allow municipalities to help offset the costs of some new public facilities necessitated by growth.

The advantage of impact fees is that they allow the municipality to collect revenues sooner than property taxes which may be closer to the time the infrastructure needs to be installed. To the extent that development fees can pay for infrastructure, the new property tax revenue can offset the cost of ongoing services to accommodate new development, such as public safety and street maintenance. The development community, however, generally sees development fees as an impediment to its objectives and uses its political influence at the state and local level to reduce or refund them. Therefore, when setting impact or development fees it is important to follow best practices. These vary by state, in accordance with state statute.

### **Impact Fee Best Practices for Wisconsin**

A municipality may enact an ordinance under Wis. Stat. § 66.0617 that imposes impact fees on developers to pay for the capital costs necessary to accommodate land development. Municipalities can collect impact fees for highways, as defined in Wis. Stat. § 340.01(22), and other transportation facilities, traffic control devices, facilities for collecting and treating sewage, facilities for pumping, storing, and distributing water, parks, playgrounds, and land for athletic fields, solid waste and recycling facilities, fire protection facilities, law enforcement facilities, emergency medical facilities, and libraries.

To implement an impact fee, a municipality must complete a public facilities needs assessment that 1) takes an inventory of existing public facilities, and identifies existing deficiencies in those facilities; 2) identifies new, expanded or improved public facilities required because of new land development based upon identified service standards; and 3) provides a detailed estimate of the capital costs of providing new, improved, or expanded public facilities including an estimate of the effect of the proposed impact fees on housing affordability in the municipality.

To meet these statutory requirements, Wisconsin municipalities should consider the following:

- Conduct an impact fee study that justifies the fees charged. A well-designed impact fee study will allow the reader to follow the methodology and math behind quantifying the capital cost of a facility that is related to new growth and impact fee eligible.

- Include capital projects in the impact fee study that either will happen or have a high probability of proceeding. If there are projects in your impact fee study that will not proceed, it is important to update the study to remove the project and consider alternative projects as necessary.
- Perform a deficiency/growth analysis of facilities and impact fees based upon identifiable service level standards. Examples of applicable service level standards include the number of acres of parkland by type per 1,000 residents, police or firefighters per 1,000 residents or library design standards as established by the Wisconsin Department of Public Instruction.
- Maintain a well-documented impact fee tracking system in the event you need to demonstrate impact fees are being spent or whether you need to refund the fees. In Wisconsin, impact fees need to be spent within eight years from the time of collection. There is a 3-year extension for sewer impact fees only. Also, ensure that you are spending the impact fees only on the specific projects that were listed in the impact fee study.
- Work to incorporate a strategy for using impact fee revenues. In many cases impact fees are imposed for capital facilities that a municipality finances with debt. Using impact fee revenues to help pay a portion of annual principal and interest payments over time can be a viable strategy for spending impact fee revenues and helping abate the debt levy for applicable projects or offset impacts to utility rates.
- To the extent that your municipality has or is considering a water impact fee, the Public Service Commission (PSC) will request a copy of the impact fee study during your next conventional water rate case. The PSC will expect to see assets that are identified in the study to be recovered with impact fee revenues to be booked into the utility's contributed rate base. This can have an impact on cash flow for impact fee related assets, so it is important to build a cash flow analysis that takes into consideration a reasonable estimate of expected annual impact fee revenues.
- It is important to update impact fee studies regularly as conditions change within your municipality. This can include completing projects in the study and updating the calculations to reflect actual costs, checking total impact fee revenues collected against the amount identified in the impact fee study, and updating population and land use growth projections as warranted.

### **Impact Fee Best Practices for Minnesota**

Minnesota statute is more restrictive than Wisconsin's statute when it comes to what a municipality can charge development fees for; however, there is greater latitude in setting fees. Minnesota municipalities can only charge developers for utilities and park expansion.

**Sewer, water, and storm water.** Most cities charge a development fee for each of their utilities. This fee, by statute, must be "just and equitable." Generally, we interpret this to mean that connection fees should pay for 1) cash-funded infrastructure that will serve growth; 2) debt service on debt that financed such projects; or 3) buying-in to unused capacity in the existing system. For example, if the water treatment plant has available capacity, then development fees could be used to pay for a portion of the costs to finance or rehabilitate the existing plant.

Municipalities have the latitude to structure fees in a way that best suits their needs. A common structure is to have two charges for the water and sewer utilities, respectively. The first is a "trunk" or "area" charge based on acreage. Commercial or multifamily land use that requires larger trunks may be charged more per acre than single-family use. The trunk charge is usually collected when land is platted. The second charge is a "connection" charge and is usually based on a residential equivalency unit, or SAC unit if the municipality is in the metro area. Storm water development fees are charged based on acreage, with higher fees for more impervious types of development. Many municipalities give credit on storm water fees to developers who install storm water facilities on-site.

Utility related development fees can be justified through a rate study that shows that the cost of capital projects (for new growth or unused system capacity) is equal to or greater than the projected development fee revenue. If you are a growing community with a significant amount of development fee revenue, we recommend accounting for that revenue in a separate fund. The growth-related capital purchases and debt would also then be accounted for in the connection fund.

**Park Dedication Fees.** Through the subdivision process, municipalities may require that a reasonable portion of land be dedicated for public park and recreational use. Often, municipalities will instead collect a cash fee in lieu of land dedication. These fees are generally set by ordinance and must follow the methodology prescribed in state statute.

Municipalities that collect cash fees must set them aside in a special fund. The cash must only be used for the acquisition and development or improvement of parks. The cash cannot be used for ongoing maintenance of parks or other recreational facilities.

Municipalities must also demonstrate an essential nexus between the fees or dedication imposed and the purpose sought to be achieved by the fee or dedication. The fee or dedication must bear a rough proportionality to the need created by the proposed subdivision or development.

Regular review of local park dedication fees and structure are recommended. This review will not only ensure compliance with state statute, but also confirm that all different property types are contributing appropriately to the municipalities' park dedication fund.

Regardless of your state, the main principle that applies to setting impact and/or developer fees is that the uses of the fees should be clearly identified and quantified. In addition, the fee revenue should be tracked and accounted for in a way that your municipality can substantiate its use retroactively if a challenge should arise.

### **Required Disclosures: Please Read**

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Office of Public Works

**TO: Common Council**  
**FROM: Kristen Lundeen, Director of Public Works/City Engineer**  
**DATE: June 4, 2026**  
**SUBJECT: Phase One Design and Development Plan Timeline**

---

### **Phase One Design and Development Plan**

The Phase One Design and Development Plan Request for Proposals (RFP) was issued on May 4 and proposals are due on May 27. The RFP outlines a process and timeline for the presentation of at least three (3) Design and Development Plans of varying construction cost, for presentation to the Common Council at the meeting in August 2026. With feedback from the Common Council, the final design will be presented at the September 2026 meeting. Approval of that final design will allow the project to transition to generation of construction documents for bidding.

The Phase One Design and Development Plan is a critical step in identifying the detailed design for the following elements from the Mequon Commons plan:

- Aquatics Complex
- Shared Support Building
- Redbud Plaza
- City Hall Plaza/ADA Entrance

Completing the Phase One Design and Development Plan contract is intended to identify the cost for Phase One implementation, future operation and maintenance costs and determining the detailed design of the cited elements. The full RFP is available on the City's website, here: <https://www.cityofmequonwi.gov/media/28111>.

### **Construction Documents**

After the Phase One Design and Development Plan is complete, the project will transition to the generation of construction documents in preparation of bidding the project for construction. Including the issuance of an RFP for award to the design contractor, it is estimated that this process will take approximately four months.

Note there could be adjustments to the timeline if the Phase One contractor has the ability and capacity to generate the construction documents, negating the need for issuing an RFP.

### **Bid Process**

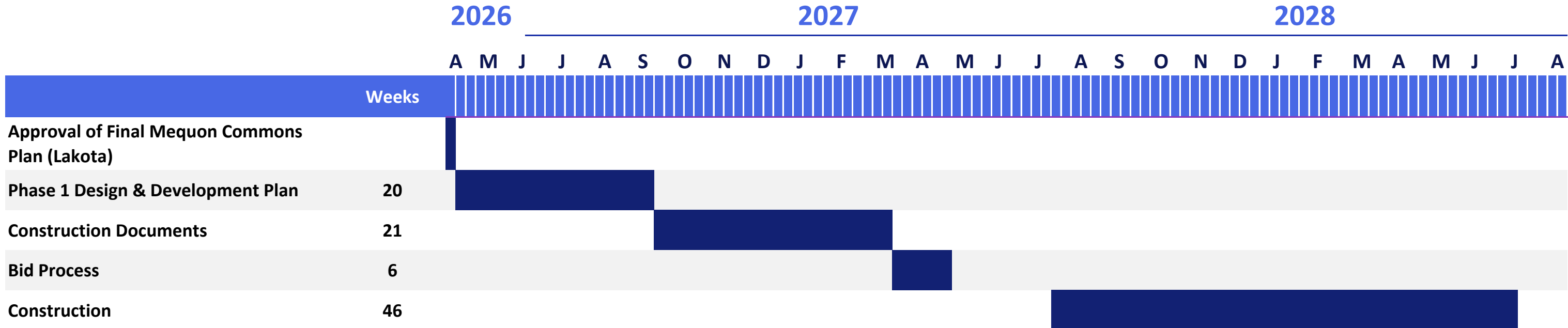
Once construction documents are available, the project can be publicly bid, as is required for public construction. It is anticipated that the bid process will take six weeks, although additional time may be beneficial to project pricing.

### **Construction**

At this time, the project goal is based upon allowing the Mequon Community Pool to remain in operation for a full season in 2026 and close during the latter portion of the 2027 season. Construction would take place over the next 10-11 months allowing for the new pool to open by July 2028.

Completion of the Phase One Design and Development Plan and generation of the associated construction documents are critical to assessing the required timeline for construction. Once the scope of the project is defined, both the timeline and duration of the anticipated construction schedule may be adjusted.

# Mequon Commons Master Plan - Phase One Implementation (May 2026)





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Phone: (262) 236-2903  
Fax: (262) 242-9819

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[www.cityofmequonwi.gov](http://www.cityofmequonwi.gov)

**Community Development**

**TO: Committee of the Whole**  
**FROM: Kim Tollefson, Director Community Development**  
**DATE: June 4, 2026**  
**SUBJECT: Lodging Tax**

---

### **Background**

A lodging tax was discussed by the Common Council at the financial workshop in July of 2025 in consideration of additional revenue sources. REVPAR Inc. prepared a refined scope for analysis of lodging tax as part of the Hotel Redevelopment Feasibility assessment, sponsored as a TID No.4 and No. 5 expenditure. The Council authorized the scope of services in January of 2026. REVPAR Inc.'s findings were discussed at the Economic Development Board's March meeting (see Exhibit A) and options for implementation were discussed at the Board's April meeting. Since then, staff have prepared a recommendation by the Board for consideration by the Common Council at the scheduled Financial Planning Workshop on June 4, 2026.

### **REVPAR Analysis**

REVPAR's lodging tax analysis includes the following:

- Review of existing city and state tax rates
- Review of lodging tax rates in surrounding area
- Assessment of historical analysis of occupancy, revenue of existing hotels to determine potential tax benefit
- Analysis the state requirements for funding use and amounts retained by city

Findings and conclusions by REVPAR are based on the hotel market feasibility analysis completed in late 2025. The following are the results of lodging tax analysis:

- The city's total tax is the lowest of comparable, competitive markets.
- The city is the only municipality, from the study area, not charging a lodging tax.
- Potential lodging tax revenue ranges from approximately \$137K to \$295K, with 30% of said revenue allocated to the city's general fund.
- A 5% lodging tax in the city would result in a projected total revenue of \$184K and \$55K for the general fund.
- At 5% lodging tax, the city would remain one of the two lowest total applicable tax rates among comparable municipalities.
- A 8% lodging tax is the maximum tax a WI municipality can implement.

At its meeting on April 28, 2026, the Economic Development Board recommended staff assess current and potential city expenditures which are eligible tourism development and promotion programs and expenditures as well as the lodging tax implementation process. The Economic Development Board will meet on June 2, 2026, to forward a recommendation to the Common Council.

**Economic Development Board Analysis**

*A. Evaluation of current and potential city expenditures which are eligible tourism development and promotion programs.*

The following summarizes the historic five-year expenditure trend of current city tourism development activities. The historic total five-year average annual eligible tourism development spending is \$39,796 and there has been a 103% increase in expenditure from 2021 to 2025. Festivals sponsorship dollars are captured as part of the total expenditures and those public contributions have grown from \$8K (2021) to \$34K (2025), a 325% increase.

**Annual Current Tourism Development Expenditures by City of Mequon Years 2021-2025**

<b>Year</b>	<b>City Funding Festivals Committee</b>	<b>Festival Sponsorships</b>	<b>OED</b>	<b>Chamber of Commerce</b>	<b>Fun Before the 4th</b>	<b>TOTAL</b>
2025	\$7,500	\$34,628	\$1,500	\$890	\$7,500	<b>\$52,018</b>
2024	\$7,500	\$23,703	\$1,500	\$390	\$7,500	<b>\$40,593</b>
2023	\$7,500	\$28,271	\$1,500	\$390	\$7,500	<b>\$45,161</b>
2022	\$7,500	\$18,379	\$1,500	\$750	\$7,500	<b>\$35,629</b>
2021	\$7,500	\$8,332	\$1,500	\$750	\$7,500	<b>\$25,582</b>

REVPAR’s estimated lodging tax revenue generated is shown in Exhibit B with scenarios based on tax rates from 5% to 8%. A prospective five-year lodging tax of 6% results in an average annual eligible tourism development spending plan of approximately \$112,300. Wisconsin municipalities can capture 30% of the lodging tax for the general fund. The remaining 70% of revenue must be utilized for tourism development.

Anticipated expenditures for tourism development include infrastructure and programming for the implementation of the Mequon Commons Master Plan (including tangible, physical construction and enhanced festivals), which were approved by Council in April 2026, Chamber of Commerce partnership, economic partnerships, sports and recreational events, advertisement, marketing and tourism, or niche business services (example includes health and wellness which was highlighted as a niche industry within the Port Washington Road commercial corridor).

**Prospective Annual Tourism Development Expenditures by City of Mequon Based on 6% Lodging Tax Years 2027-2031**

Year	Projected Total	30% General Fund	70% Tourism	70% Tourism Breakdown	
				City Current	Remaining
2027	\$174,553.92	\$52,366.18	\$122,187.74	\$17,390.00	\$104,797.00
2028	\$179,790.54	\$53,937.16	\$125,853.38	\$17,390.00	\$108,463.00
2029	\$185,184.24	\$55,555.27	\$129,628.97	\$17,390.00	\$112,238.00
2030	\$190,739.82	\$57,221.95	\$133,517.87	\$17,390.00	\$116,127.00
2031	\$196,462.02	\$58,938.61	\$137,523.41	\$17,390.00	\$120,133.00

The chart above represents an estimated five-year general fund total gain of \$278K and an estimated tourism development spending plan of \$649K, which is \$562K beyond the city’s current expenditures eligible as tourism development.

*B. Assessment of lodging tax implementation process.*

Room taxes would be applied to each of the three (3) hotels operating in the city as well as all short-term rentals (applications and permits are required for such operations within the city). Please see attached a map of all lodging operations identified within the city in Exhibit C.

**Current Lodging and Room Count in the City of Mequon Year 2026**

City Approved Permits for Short Term Rentals		
Address	Approval Date	Bedroom Count
11110 N. Oriole Lane	5.13.2019	3 bedrooms
7900 W. Evergreen Road	1.13.2020	5 bedrooms
12112 N. Wauwatosa Road	9.22.2020	1-3 bedrooms*
12529 N. Circle Drive	7.19.2021	2 bedrooms
12116 N. Wauwatosa Road	8.30.2022	2 bedrooms
3223 Fleur De Lis Drive	10.30.2023	4 bedrooms
14108 N. Birchwood Lane	02.01.2024	5 bedrooms
10522 N. Circle Road	05.22.24	4 bedrooms
13328 N. Lakewood Drive	09.04.25	3 bedrooms

<b>City Short Term Rentals without Permits</b>		
<b>Address</b>		<b>Bedroom Count</b>
8110 W. Bonniwell Road		
10120 N. Foxkirk Circle		
11041 N. Range Line Road		
11846 N. Schwener Lane		
10132 N. Vintage Court		
Mequon Rd & Weston Rd		
Mequon Rd & Mulberry		
River Rd & Donges Bay Rd		
Donges Bay & Range Line Rd		
Country Lane & Homestead Trail		
Ranch Rd & St. James Lane		

<b>City Lodging</b>		
<b>Address</b>	<b>Open Date</b>	<b>Room Count</b>
10240 N Cedarburg Road	1980	32
10401 N Port Washington Road	1958	53
10330 N Port Washington Road	1995	51

The city must establish a commission and/or contract with a tourism entity. The City can utilize the Economic Development Board as the state-required tourism commission likely requiring specific annual meetings dedicated to tourism programming and reporting. The Board currently complies with the minimum membership requirements, including a representative of the WI hotel and motel industry. An ordinance must be adopted by the Common Council for implementation of the tax, and should the Board serve as the tourism commission, an ordinance amending the purpose and specific objectives of the Board must also be adopted by the Common Council. There are annual reporting requirements to the WI Department of Revenue by the City’s Finance Department.

**Recommendation**

The Economic Development Board recommendation of a lodging tax of 6% at its meeting on June 2, 2026, is forthcoming and subject to the following conditions:

- Common Council review at the June Financial Planning Workshop.
- Adoption of an Ordinance for the establishment of a lodging tax.

- Adoption of an Ordinance amending Chapter 2, Division 6. Economic Development Board to include purpose and power and duties as a tourism commission.
- Designation of the entire city as the tourism district.
- Development and adoption of tourism development budget and the necessary contractual agreement with potential partners including but not limited to the Chamber of Commerce, OED and Village of Thiensville.

Attachments:

REVPAR Letter (Occupancy Bed Tax Analysis Mequon)03.16.26

TaxScenarios05.01.2026PDF

Lodging Locations 2026 Map

March 16, 2026

Ms. Kim Tollefson  
 Community Development Director  
 City of Mequon, WI  
 11333 North Cedarburg Road  
 Mequon, WI 53092



1020 N. Fairfax Street  
 Suite 320  
 Alexandria, VA 22314  
 Phone: (703) 838-9707

Email: [ktollefson@cityofmequonwi.gov](mailto:ktollefson@cityofmequonwi.gov)

**Re: Occupancy/Bed Tax Analysis, Mequon, WI**

Dear Ms. Tollefson:

In accordance with our proposal, REVPAR International, Inc. was retained by the City of Mequon to conduct *desktop* research related to the development of an appropriate occupancy/bed tax rate on lodging revenues generated by the three existing hotels and short-term rentals within the City of Mequon, as well as any future lodging units added at a future date.

In response, the following memo summarizes our findings, conclusions, and recommendations relative to the creation of an occupancy/bed tax in Mequon, Wisconsin. These findings and conclusions are based on the market feasibility study completed in November 2025 for the City of Mequon, as well as additional desktop research and analysis on occupancy/bed tax completed in February and March 2026.

### Tax Rates Applicable to Lodging

Following a review of Wisconsin state law as pertains to sales, use, and lodging taxes for hotels, motels, and other lodging providers, as well as the local taxes paid by area hotels, the following table summarizes the actual taxes paid on hotel stays in Mequon and the surrounding municipalities that offer a variety of lodging products.

Tax Rates Applicable to Lodging in Mequon and the Surrounding Municipalities						
Municipality	State Sales and Use Tax	County Sales and Use Tax	City Sales and Use Tax	Municipal Lodging Tax	Exposition Tax <sup>(1)</sup>	Total Tax
<b>Ozaukee County</b>						
City of Mequon	5.0%	0.5%	--	None	--	5.5%
Village of Grafton	5.0%	0.5%	--	7.0%	--	12.5%
City of Cedarburg	5.0%	0.5%	--	5.0%	--	10.5%
<b>Milwaukee County</b>						
Village of Brown Deer	5.0%	0.9%	--	7.0%	3.0%	15.9%
City of Glendale	5.0%	0.9%	--	7.0%	3.0%	15.9%
City of Milwaukee	5.0%	0.9%	2.0%	7.0%	3.0%	17.9%
<b>Waukesha County</b>						
Menomonee Falls	5.0%	0.0%	--	8.0%	--	13.0%
<b>Washington County</b>						
Germantown	5.0%	0.5%	--	6.0%	--	11.5%

Source: State of Wisconsin and various municipalities; compiled by REVPAR International, Inc.

### State Sales and Use Tax

All lodging guests are required to pay the Wisconsin sales and use tax, which is a 5.0 percent tax imposed on the sales price of retailers who sell, license, lease, or rent tangible personal property, certain coins and stamps, certain leased property affixed to realty, or certain digital goods, or sell, license, perform, or furnish taxable services in Wisconsin, including hotels and short-term rentals.

### County and City Sales and Use Tax

Likewise, county and city sales tax, which varies by municipality, is paid on all rooms related revenue generated by a hotel. All Wisconsin counties have a 0.5 percent sales tax rate except Waukesha (included in our analysis) and Winnebago Counties, which have no sales tax, and Milwaukee County (included in our analysis), which has a 0.9 percent sales tax. The City of Milwaukee also has a 2.0 percent city sales and use tax.

### Municipal Lodging Tax

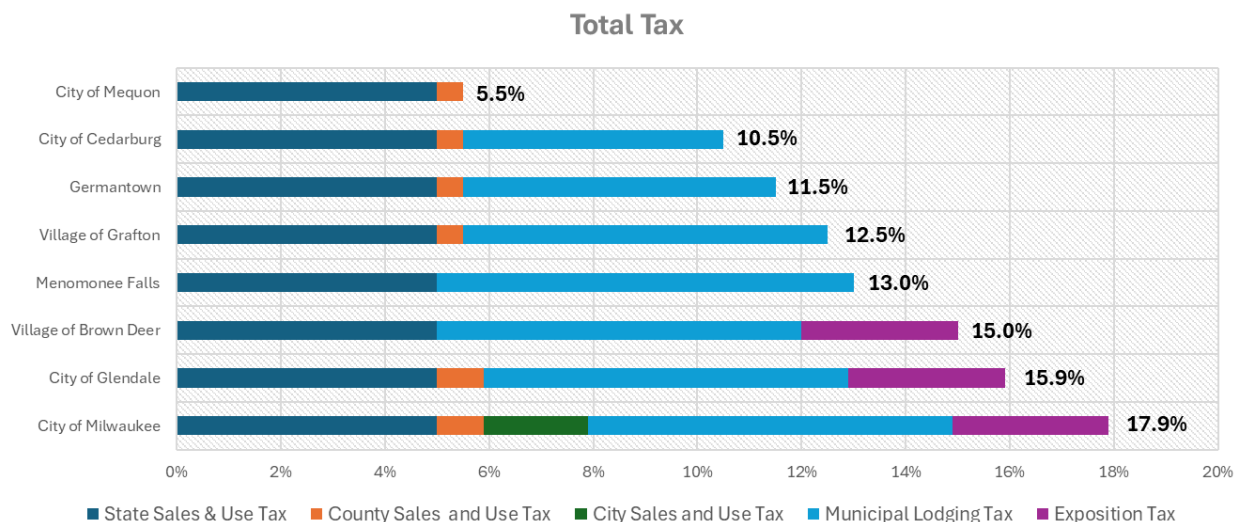
As demonstrated in the preceding table, all seven municipalities around the City of Mequon where hotels are located have lodging taxes ranging from 5.0 to 8.0 percent.

### Exposition Tax

Exposition tax is imposed on lodging, food and beverage sales, and automobile rentals in municipalities located wholly or partially within Milwaukee County. The exposition tax on lodging in Milwaukee County is currently 3.0 percent.

### Total Tax

As the following graph illustrates, the taxes charged by the City of Mequon are the lowest of all surrounding jurisdictions because Mequon does not charge any dedicated lodging tax. The surrounding municipalities all charge a lodging tax rate ranging from 5.0 to 8.0 percent, which results in higher rates compared to Mequon.

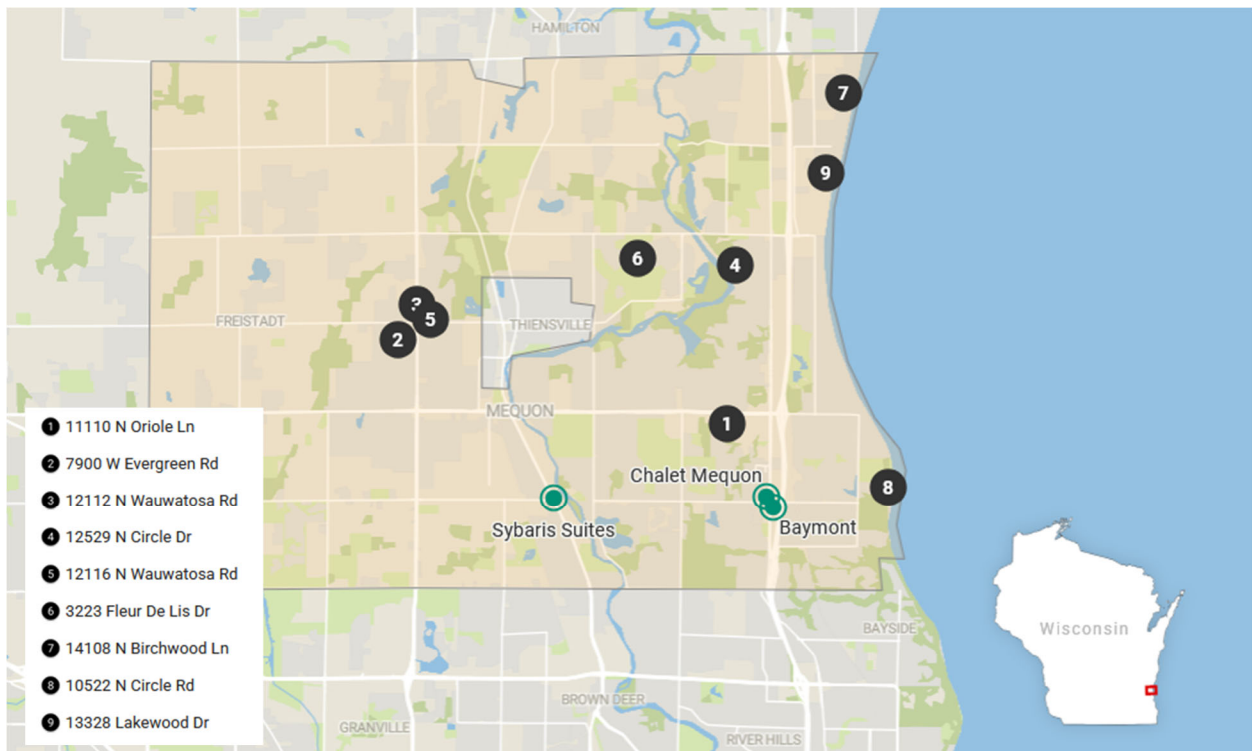


## City of Mequon Lodging Market Performance

Specific to the City of Mequon lodging sector, there are currently three traditional hotels offering 136 total rooms, as summarized in the table to the right. There are also 10 short-term rentals registered with the City of Mequon that range in size from one to five bedrooms and offer a total of 32 bedrooms. These units are also subject to current and future sales and lodging taxes for rentals of less than 30 consecutive days. The following map illustrates the location of the three hotels and the 10 short-term rentals. Please note that Short-Term Rental #3 (the “12112 N Wauwatosa Road” address) has two short-term rentals.

City of Mequon Traditional Lodging Market			
Hotel	Chain Scale	Rooms	Year Open
Baymont Inn Mequon	Midscale	51	1995
Chalet Motel	Independent	53	1958
Sybaris Pool Suites	Independent	32	1980
<b>Total</b>		<b>136</b>	<b>--</b>

Source: CoStar; compiled by REVPAR International, Inc.



The rooms revenue for the three Mequon hotels and the short-term rentals was not publicly available. Therefore, we reviewed *CoStar* data available for the North Milwaukee submarket. *The CoStar Group* is the leading provider of commercial real estate information and analytics, including aggregate operating data on hotels that participate in their survey. With only three hotels, the City of Mequon’s hotel market does not meet *CoStar*’s *minimum* requirement of four hotels for us to pull a market report, and, often, independent hotels such as those in Mequon do not participate.

Based on our interviews with management of the Mequon hotels, as well as those in the surrounding market area, we assumed that the historic occupancy, average room rate, and rooms revenue for the midscale, economy, and independent hotels in the North Milwaukee submarket are representative of the performance levels of the three Mequon hotels. Please note that *CoStar* does not track the performance of short-term rentals. There are other commercial services that estimate short-term rental performance; however, given

the limited number of short-term rental units in Mequon at 32 bedrooms, we have chosen to apply the North Milwaukee submarket from CoStar data to the short-term rental market, as well.

During the course of our research and analysis, which included discussions with representatives from major hotel brands and local individuals knowledgeable about the hotel market, we did not identify any hotels currently proposed for development in Mequon.

Based on the foregoing, the adjacent table provides a summary of the estimated historical and projected operating performance for the Mequon lodging market, which is comprised of the three traditional hotels with 136 rooms and the 10 short-term rentals with 32 bedrooms. We have assumed that no new supply will be added to the Mequon lodging market, therefore the occupancy is projected to stabilize at 52.0 percent. Furthermore, we have assumed that the average daily rate will increase at the rate of inflation, or by 3.0 percent.

### Tax Allowed Uses

Next, in accordance with our proposal, we reviewed the allowed uses of the local lodging tax. As demonstrated in the adjacent graphic, the state of Wisconsin law allows municipalities to impose a local lodging tax but requires that at least 70 percent be

Historical and Projected Operating Performance of the Mequon Lodging Market				
Year	Annual Occupancy	Average Daily Rate	RevPAR	Rooms Revenue
<b>Historical Performance</b>				
2023	52.0%	\$90.00	\$46.80	\$2,869,776
2024	50.0%	\$87.00	\$43.50	\$2,667,420
2025	52.0%	\$86.00	\$44.72	\$2,742,230
<b>CAGR <sup>(1)</sup></b>	<b>0.0%</b>	<b>(2.2%)</b>	<b>(2.2%)</b>	<b>(2.2%)</b>
<b>Projected Performance</b>				
2026	52.0%	\$89.00	\$46.00	\$2,824,497
2027	52.0%	\$91.00	\$47.00	\$2,909,232
2028	52.0%	\$94.00	\$49.00	\$2,996,509
2029	52.0%	\$97.00	\$50.00	\$3,086,404
2030	52.0%	\$100.00	\$52.00	\$3,178,997
2031	52.0%	\$103.00	\$53.00	\$3,274,367
2032	52.0%	\$106.00	\$55.12	\$3,372,598
2033	52.0%	\$109.00	\$56.68	\$3,473,775
2034	52.0%	\$112.00	\$58.24	\$3,577,989
2035	52.0%	\$115.00	\$59.80	\$3,685,328
<b>CAGR <sup>(1)</sup></b>	<b>0.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>

Note: <sup>(1)</sup> Compound Annual Growth Rate.  
Source: CoStar; compiled by REVPAR International, Inc.



spent on tourism promotion or tourism development, with no greater than 30 percent entering the municipality's general fund.

## Tax Revenue Estimates (Historical and Projected)

With the foregoing in mind, the following table provides 10 years of estimated lodging tax revenue that could be generated from the lodging (rooms) revenue of the existing lodging supply in the City of Mequon at two levels - 5.0 percent and 8.0 percent - based on the range of lodging taxes being assessed in the surrounding municipalities (as presented in our earlier table.) We then estimated the allocation of the lodging tax revenue for tourism development and the city's general fund.

Estimated Lodging Tax Revenue City of Mequon, WI							
Year	Rooms Revenue	Scenario 1: 5.0% Lodging Tax			Scenario 2: 8.0% Lodging Tax		
		Total \$ Amount (at 5.0%)	70% to Tourism Development	30% to General Fund	Total \$ Amount (at 8.0%)	70% to Tourism Development	30% to General Fund
<b>Hypothetical Lodging Tax Revenues Using Historical Lodging (Rooms) Revenue Performance</b>							
2023	\$2,869,776	\$143,489	\$100,442	\$43,047	\$229,582	\$160,707	\$68,875
2024	\$2,667,420	\$133,371	\$93,360	\$40,011	\$213,394	\$149,376	\$64,018
2025	\$2,742,230	\$137,112	\$95,978	\$41,133	\$219,378	\$153,565	\$65,814
<b>Hypothetical Lodging Tax Revenues Using Estimated Future Lodging (Rooms) Revenue Performance</b>							
2026	\$2,824,497	\$141,225	\$98,857	\$42,367	\$225,960	\$158,172	\$67,788
2027	\$2,909,232	\$145,462	\$101,823	\$43,638	\$232,739	\$162,917	\$69,822
2028	\$2,996,509	\$149,825	\$104,878	\$44,948	\$239,721	\$167,805	\$71,916
2029	\$3,086,404	\$154,320	\$108,024	\$46,296	\$246,912	\$172,839	\$74,074
2030	\$3,178,997	\$158,950	\$111,265	\$47,685	\$254,320	\$178,024	\$76,296
2031	\$3,274,367	\$163,718	\$114,603	\$49,115	\$261,949	\$183,365	\$78,585
2032	\$3,372,598	\$168,630	\$118,041	\$50,589	\$269,808	\$188,865	\$80,942
2033	\$3,473,775	\$173,689	\$121,582	\$52,107	\$277,902	\$194,531	\$83,371
2034	\$3,577,989	\$178,899	\$125,230	\$53,670	\$286,239	\$200,367	\$85,872
2035	\$3,685,328	\$184,266	\$128,986	\$55,280	\$294,826	\$206,378	\$88,448

Source: REVPAR International, Inc.

Four of the seven municipalities have a 7.0 percent lodging tax, and the average lodging tax rate of the municipalities is 6.7 percent. A 5.0 percent lodging tax rate would yield the same combined lodging and sales tax rate as Cedarburg and would be the lowest in the area. An 8.0 percent lodging tax rate would position the combined lodging and sales tax just below the Milwaukee County hotels, which are the highest in the area.

Please note that there are other significant assumptions underlying these estimates. As such, ***this letter is subject to change pending receipt of new or additional information and should be primarily for internal use only.***

We would be pleased to hear from you should you need further interpretation or amplification of the following findings.

Sincerely,  
REVPAR International, Inc.

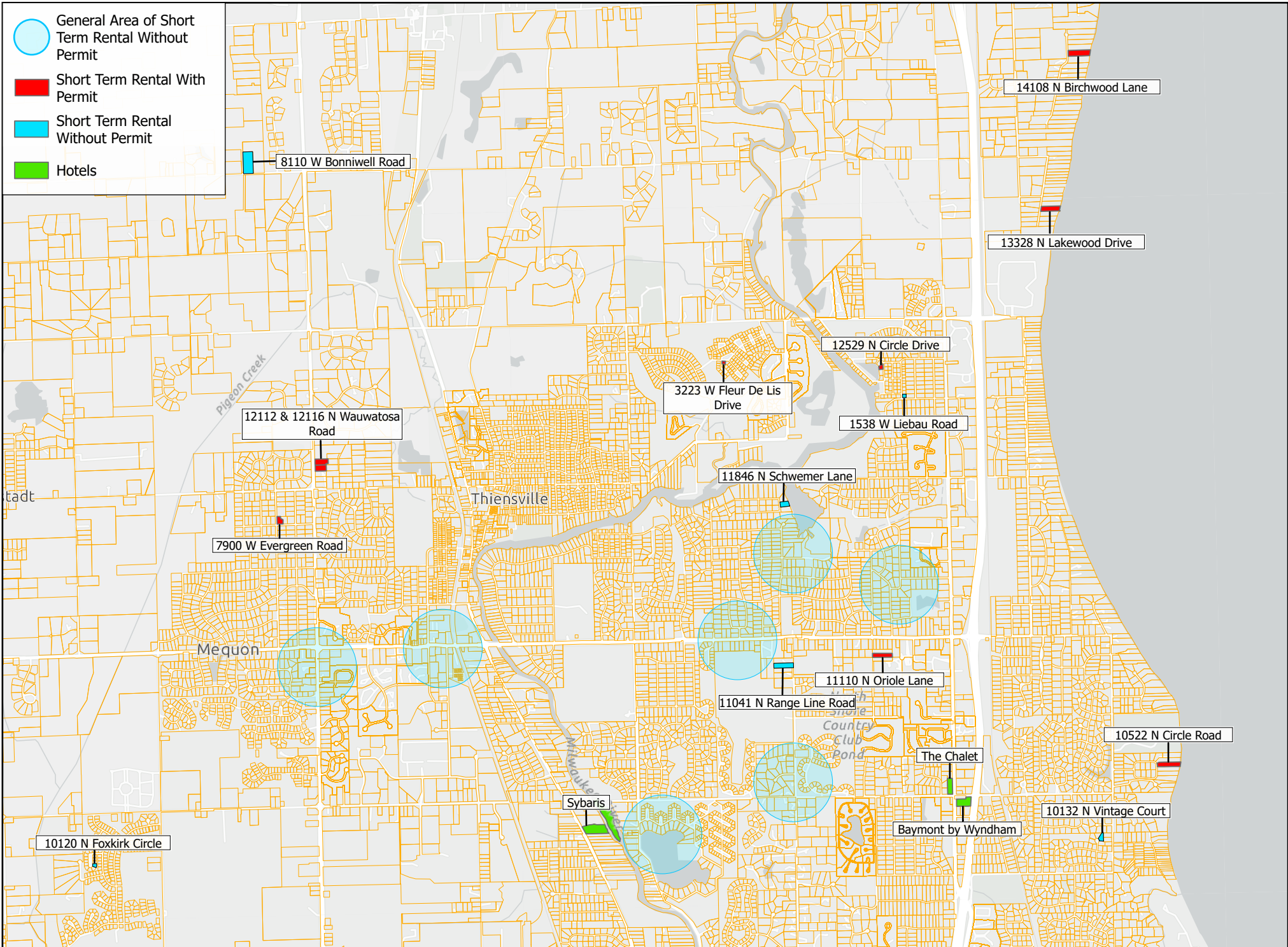
*REVPAR International, Inc*

**EXHIBIT B: REVPAR Estimated Lodging Tax Revenue**

Estimated Lodging Tax Revenue													
City of Mequon, WI													
Year	Rooms Revenue	Scenario 1: 5.0% Lodging Tax			Scenario 2: 6.0% Lodging Tax			Scenario 3: 7.0% Lodging Tax			Scenario 4: 8.0% Lodging Tax		
		Total \$ Amount	70% to Tourism Development	30% to General Fund	Total \$ Amount	70% to Tourism Development	30% to General Fund	Total \$ Amount	70% to Tourism Development	30% to General Fund	Total \$ Amount	70% to Tourism Development	30% to General Fund
		(at 5.0%)			(at 6.0%)			(at 7.0%)			(at 8.0%)		
<b>Hypothetical Lodging Tax Revenues Using <span style="color: blue;">Historical</span> Lodging (Rooms) Revenue Performance</b>													
2023	\$2,869,776	\$143,489	\$100,442	\$43,047	\$172,187	\$120,531	\$51,656	\$200,884	\$140,619	\$60,265	\$229,582	\$160,707	\$68,875
2024	\$2,667,420	\$133,371	\$93,360	\$40,011	\$160,045	\$112,032	\$48,014	\$186,719	\$130,704	\$56,016	\$213,394	\$149,376	\$64,018
2025	\$2,742,230	\$137,112	\$95,978	\$41,133	\$164,534	\$115,174	\$49,360	\$191,956	\$134,369	\$57,587	\$219,378	\$153,565	\$65,814
<b>Hypothetical Lodging Tax Revenues Using <span style="color: blue;">Estimated Future</span> Lodging (Rooms) Revenue Performance</b>													
2026	\$2,824,497	\$141,225	\$98,857	\$42,367	\$169,470	\$118,629	\$50,841	\$197,715	\$138,400	\$59,314	\$225,960	\$158,172	\$67,788
2027	\$2,909,232	\$145,462	\$101,823	\$43,638	\$174,554	\$122,188	\$52,366	\$203,646	\$142,552	\$61,094	\$232,739	\$162,917	\$69,822
2028	\$2,996,509	\$149,825	\$104,878	\$44,948	\$179,791	\$125,853	\$53,937	\$209,756	\$146,829	\$62,927	\$239,721	\$167,805	\$71,916
2029	\$3,086,404	\$154,320	\$108,024	\$46,296	\$185,184	\$129,629	\$55,555	\$216,048	\$151,234	\$64,814	\$246,912	\$172,839	\$74,074
2030	\$3,178,997	\$158,950	\$111,265	\$47,685	\$190,740	\$133,518	\$57,222	\$222,530	\$155,771	\$66,759	\$254,320	\$178,024	\$76,296
2031	\$3,274,367	\$163,718	\$114,603	\$49,115	\$196,462	\$137,523	\$58,939	\$229,206	\$160,444	\$68,762	\$261,949	\$183,365	\$78,585
2032	\$3,372,598	\$168,630	\$118,041	\$50,589	\$202,356	\$141,649	\$60,707	\$236,082	\$165,257	\$70,825	\$269,808	\$188,865	\$80,942
2033	\$3,473,775	\$173,689	\$121,582	\$52,107	\$208,427	\$145,899	\$62,528	\$243,164	\$170,215	\$72,949	\$277,902	\$194,531	\$83,371
2034	\$3,577,989	\$178,899	\$125,230	\$53,670	\$214,679	\$150,276	\$64,404	\$250,459	\$175,321	\$75,138	\$286,239	\$200,367	\$85,872
2035	\$3,685,328	\$184,266	\$128,986	\$55,280	\$221,120	\$154,784	\$66,336	\$257,973	\$180,581	\$77,392	\$294,826	\$206,378	\$88,448

Source: REVPAR International, Inc.

# Exhibit C: Current Lodging Locations in the City of Mequon Year 2026



## HOTEL MANAGEMENT NETWORK

US hotel stays cost more as bed taxes climb in many cities

A wave of hotel tax rises—often labelled bed, occupancy, or tourist taxes—is reshaping the price of overnight stays in major US destinations.

[Mohamed Dabo](#) November 3, 2025

A wave of hotel tax rises—often labelled bed, occupancy, or tourist taxes—is reshaping the price of overnight stays in major US destinations.

From San Diego to Washington DC and New York, higher levies are being added at checkout, with some places also applying fixed nightly fees.

A growing number of US destinations are lifting their hotel tax - often called a bed tax, tourist tax or occupancy tax - adding double-digit percentages and nightly fees to room bills.

Washington DC now charges 15.95% through 30 September 2027, while San Diego's tiered increase won a California appeals court ruling in October 2025. Industry research suggests the average lodging levy in the US is now above 15%.

San Diego ruling underscores momentum for local increases

San Diego's Measure C raises the transient occupancy tax from 10.5% to between 11.75% and 13.75%, with the highest rate closest to the convention center; proceeds are earmarked for convention expansion and homelessness programs.

A state appeals court upheld the voter-approved measure on 6 October 2025, and the city began collecting higher rates earlier in the year.

Rate snapshots in major us markets

Hotel tax levels vary widely by city and by the mix of state, county and city levies:

- Washington DC: 15.95% on transient accommodations, extended to 30 September 2027. A MarketWatch analysis calculates roughly \$138 in bed taxes on a typical four-night stay using average rates.
- New York City: combined state and city sales taxes of 8.875% plus a city hotel room occupancy tax of 5.875%, and per-night fees of \$2 (city) and \$1.50 (state "unit fee"). Many guides summarize this as ~14.75% plus \$3.50 nightly.
- Los Angeles (city): transient occupancy tax is 14% (some online summaries round higher, but the city lists 14%).

- Las Vegas (Clark County): most properties charge 13%–13.38%; the Primary Gaming Corridor (Strip area) is 13.38%.
- Aurora, Illinois: city moved to double its hotel tax from 3% to 6%, with implementation set for 1 January 2026.
- Oklahoma City: voters increased the city levy from 5.5% to 9.25%, effective 1 October 2024.
- San Antonio/Bexar County (Texas): voters on 4 November 2025 are weighing propositions that would raise the county hotel tax component toward a combined maximum of 17% to fund venue projects.

### State rules and international parallels

Some large states do not levy a statewide hotel tax, leaving it to cities and counties.

California’s transient occupancy taxes are local; New York State likewise relies on local authorization, which is why New York City layers its own occupancy charges on top of sales tax.

By contrast, Hawaii applies a statewide transient accommodations tax of 10.25% (rising to 11% in 2026 under a climate-funding law) and counties including Honolulu add their own 3% surcharges.

Together with general excise tax, Hawaii’s combined charges are among the highest in the US.

### Traveler impact and behavior

City tourism officials argue that higher hotel taxes fund visitor services and marketing without raising local property taxes.

Analysts say the national average lodging levy climbed to about 15.22% in 2024.

Consumer reporting and city leaders also note early evidence of travelers shifting stays to suburbs or alternative accommodation to manage costs, while transparency concerns persist because extra charges often appear late in the booking flow.



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**Finance**

**TO: Committee of the Whole**  
**FROM: Brenda Arnett, Finance Director**  
**DATE: June 4, 2026**  
**SUBJECT: Vehicle Registration Fee Information**

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**Background**

Wisconsin’s “wheel tax” is officially called a local vehicle registration fee. It’s an added fee on top of the state vehicle registration charge. Wisconsin authorized local governments to impose vehicle registration fees in the late 1960s. Under Wisconsin statute §341.35, counties and municipalities were given the authority to charge an annual registration fee for locally kept vehicles. The reason behind this is:

- Roads are maintained locally
- State transportation aid is often insufficient
- Commuters from outside a city or county still use local roads

State law does not specify an amount or timeframe. The fee is not assessed on every “wheel,” rather it is a local vehicle registration fee.

For decades, very few Wisconsin communities actually imposed the fee. In 2010, there were only four local governments participating. Wisconsin was relying more on state gas taxes, shared transportation aid, and property taxes. Adoption of vehicle registration fees expanded rapidly after 2010 due to the following factors:

- Inflation in road construction costs
- Stagnant or politically constrained state transportation funding
- Limits on raising other revenues
- Resistance to raising the state gas tax

By 2025, more than 60 Wisconsin local governments had implemented vehicle registration fees, with nearly half of all Wisconsin residents now projected to live in areas charging local fees. Of the 14 counties charging the fee, Dane County is at the top of the range charging \$40 and Langlade County is at the low end of the range charging \$15. Of the 54 municipalities charging the fee, the City of Eau Claire is at the top of the range charging \$50 with several municipalities charging \$10 at the low end of the range including Boscobel, Iron Ridge, Kaukauna, Potosi, River Falls, and Tigerton.

<b>14 Counties (Source wisconsin.gov)</b>	
Crawford County (\$20)	Marathon County (\$25)
Dane County (\$40)	Milwaukee County (\$25)
Dunn County (\$20)	Pierce County (\$35)
Eau Claire County (\$30)	Portage County (\$30)
Green County (\$25)	Richland County (\$20)
Iowa County (\$25)	St. Croix County (\$20)
Langlade County (\$15)	Vernon County (\$25)

<b>54 Municipalities (Source wisconsin.gov)</b>		
Adams (city; \$25)	Fort Atkinson (city; \$20)	Oshkosh (city; \$35)
Appleton (city; \$30)	Gillett (city; \$20)	Platteville (city; \$20)
Arena (township; \$20)	Green Bay (city; \$25)	Portage (city; \$20)
Ashland (city; \$20)	Hustisford (village; \$35)	Port Edwards (village; \$35)
Augusta (city; \$25)	Iron Ridge (village; \$10)	Potosi (village; \$10)
Baraboo (city; \$40)	Janesville (city; \$40)	Prairie du Sac (village; \$20)
Beloit (city; \$20)	Kaukauna (city; \$10)	Redgranite (village; \$25)
Bellevue (village; \$25)	Lodi (city; \$20)	Rice Lake (city; \$20)
Berlin (city; \$25)	Lomira (village; \$30)	Ripon (city; \$25)
Boscobel (city; \$10)	Madison (city; \$40)	River Falls (city; \$10)
Chilton (city; \$20)	Manitowoc (city; \$20)	Sauk City (village; \$20)
Cudahy (city; \$25)	Milton (city; \$30)	Shawano (city; \$40)
Delavan (township; \$15)	Milwaukee (city; \$41)	Shorewood (village; \$30)
Doylestown (village; \$20)	Montello (city; \$20)	Sun Prairie (city; \$30)
Eden (village; \$30)	Neenah (city; \$30)	Tigerton (village; \$10)
Eau Claire (city; \$50)	New London (city; \$20)	Valders (village; \$20)
Evansville (city; \$40)	Onalaska (city; \$25)	Waterloo (city; \$15)
Fitchburg (city; \$40)	Oregon (village; \$40)	Wauwatosa (city; \$15)

**Analysis**

The state vehicle registration fee is currently \$85. Local vehicle registration fees are added on top of that ranging from \$10-\$50. The Wisconsin Department of Transportation (WisDOT) collects the fee during registration renewal and forwards the money to the local government. To defray the cost of collections, WisDOT keeps a small administrative fee of \$0.03/vehicle. Currently, state law requires the local vehicle registration fee revenue to be used for:

- Fund public transportation services and infrastructure
- Improve local road maintenance and repairs
- Invest in bicycle and pedestrian pathways and bridges
- Enhance traffic safety measures and signage
- Develop and maintain parking facilities

Vehicle registration fees are highly visible, are a flat-rate fee, and are layered on top of existing registration fees and fuel taxes. Supporters argue that they directly fund road maintenance, make commuters contribute, and are one of the few revenue tools local governments can use. Those critical of the fees argue that they disproportionately affect lower-income drivers, do not always visibly improve roads, and realized expanded adoption because state lawmakers limited other local revenue options. Other important distinctions:

- It is a flat tax and is not based on the number of wheels
- Applies to cars and light trucks under 8,000 lbs.
- Antiques, collector vehicles, and military vehicles are exempt

Should the Council wish to consider implementing a local vehicle registration fee, the City would need to pass an ordinance. WisDOT requires 90-day notice before the effective date of the fee.

**Fiscal Impact**

According to WisDOT, the City of Mequon has approximately 24,000 vehicles. Therefore, the applicable administrative fee would total approximately \$720. The potential yearly revenue would depend on the fee charged. The costs for the City’s most recent \$5.3M borrowing for the road program in 2025 were \$80,800 with interest totaling \$1.8M.

Vehicle Registration Fee
Vehicles in Mequon 24,000
Admin Fee: \$0.03/vehicle = \$720
Potential Yealy Revenue
\$15 Fee = \$360,000
\$20 Fee = \$480,000
\$25 Fee = \$600,000

Additionally, the total estimated annual cost to drive in Wisconsin is \$228. This includes the state registration fee, state gas tax, and environmental fees. Wisconsin’s annual cost is lower than surrounding Midwestern states by \$227-\$358.

**Recommendation**

Review and discussion.

# WHEEL TAX REVENUES KEEP ROLLING

*By the end of 2025, nearly half of all Wisconsinites will be required to pay a fee to their municipality or county to register their vehicle. Some communities implemented these fees a few years ago and already are considering raising them further. Such fees are one of only a few revenue-raising options that state law permits for local governments. But in some places, they are adding significant costs for motorists.*

Statewide revenues from local option vehicle registration fees – commonly called wheel taxes – totaled more than \$70 million in fiscal year 2025. This marks a dramatic increase from a decade ago, when such fees raised less than \$10 million for local governments throughout Wisconsin.

These revenues underwent a very rapid period of growth across the state from 2015 through 2021, during which time the number of municipalities, towns, and counties with wheel taxes more than tripled. After 2021, total statewide revenue growth from wheel taxes began to slow considerably.

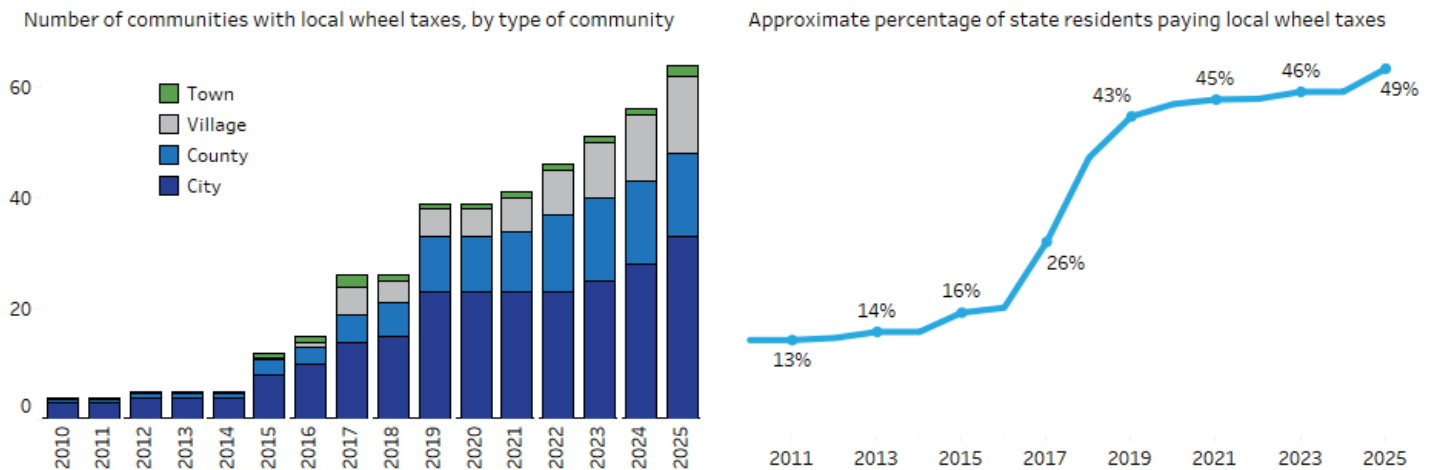
But then in fiscal year 2025, total statewide wheel tax revenues increased 12%, their largest annual increase since 2019. This is due in part to the fact that more communities have adopted them, as shown in Figure 1. Large cities that recently adopted wheel taxes include Eau Claire, Fitchburg, Oshkosh, Sun Prairie, and Wauwatosa.

In this report, we use data from the Wisconsin Departments of Transportation and Administration to better understand where these fees are in place, why they have propagated across the state, and why some communities are considering fee increases to cover growing local transportation costs.

## LOCAL OPTION WHEEL TAXES

Wisconsin local governments have the authority to charge a registration fee on nearly any vehicle kept in their jurisdiction. Heavy trucks over 8,000 pounds are generally excluded from local registration fees. The fees can be imposed by a simple vote of the local governing body, and rates are not limited. Funds from wheel taxes must, however, be spent to pay for transportation-related services such as road construction or transit operations. Fees are collected by the Department of Transportation, with a small portion of the total revenue kept by the agency for administrative costs.

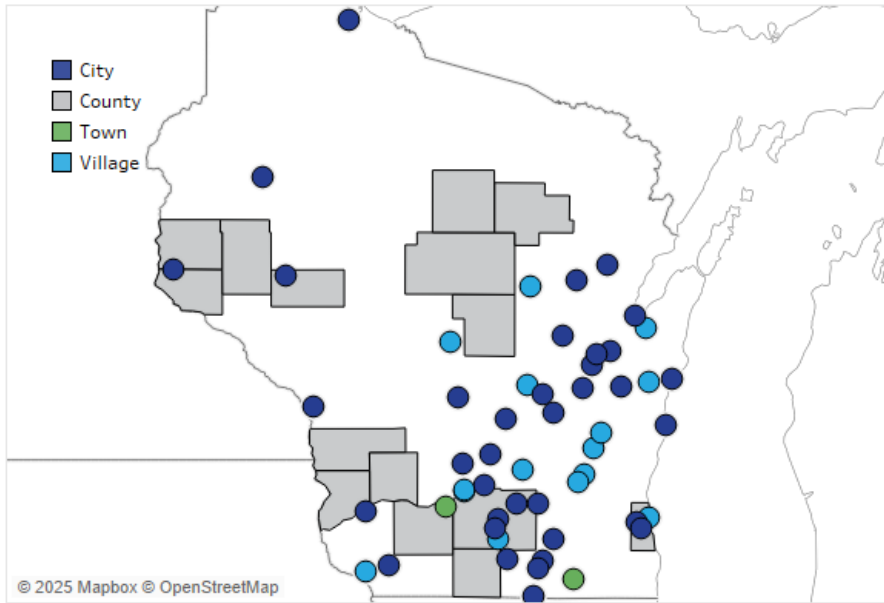
**Figure 1: Local Wheel Taxes Continue to Grow, but Share of State Residents Paying Them Rising More Slowly**



Source: Wisconsin Department of Transportation and Department of Administration

**Figure 2: Cities Lead in Wheel Taxes**

Jurisdictions with local option vehicle registration fees, 2025\*



Source: Wisconsin Department of Transportation. \*As of October 20, 2025

These fees have been an option for municipalities in some form since 1967, and for counties since 1979. However, until 2010, relatively few governments utilized the option. In more recent years however, a confluence of factors – including stagnant state aid, strict levy limits, plus the limited number of revenue alternatives – has caused an increasing number of communities to consider this fee. More recently, since 2021, high rates of inflation imposed an additional fiscal pressure on local governments.

**LOCAL WHEEL TAXES SPREAD RAPIDLY**

Since 2010 – when just four local governments in Wisconsin collected wheel taxes – the number of communities doing so has skyrocketed, as detailed in our [2021 report](#). It found that as of February 2022, 44 local governments in Wisconsin had a vehicle registration fee.

Since then, the list of communities has continued to grow. As of Nov. 1, 2025, 63 Wisconsin municipalities, towns and counties were collecting wheel taxes, WisDOT data show. Five more had adopted them and were set to begin collecting wheel taxes in 2026. The combined total of 68 communities includes 14 counties, 37 cities, 15 villages, and two towns.

While growth has been rapid, it’s important to note that of the state’s 72 counties, less than one in five collected this fee as of Nov. 1. For cities, the share was

about the same, at 18.9% of the state’s 190 cities. However, only 3.6% of the state’s 418 villages and just 0.2% of the state’s towns had instituted this type of fee.

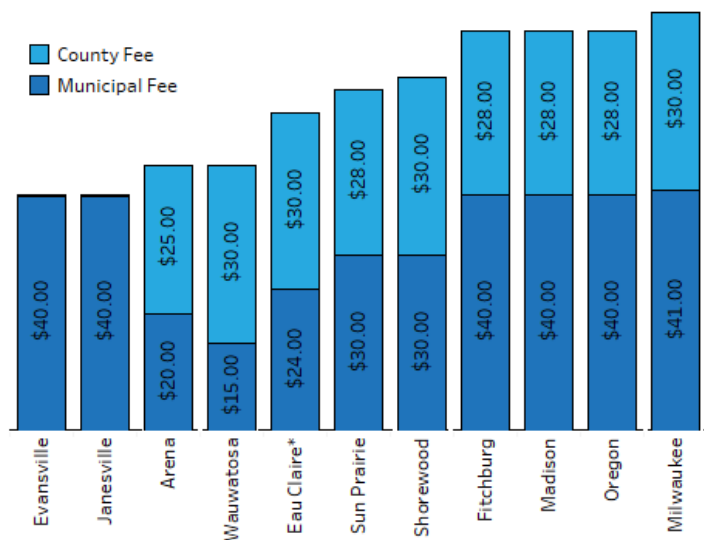
Municipal fees range from \$40 on the high end, in communities like Shawano in northeastern Wisconsin, Madison, and Janesville, to \$10 on the low end in Boscobel and River Falls, among other municipalities. County fees range from \$30, charged by Eau Claire, Milwaukee, and Portage counties, to \$15 in Langlade County.

As Figure 2 shows, most communities that have enacted wheel taxes are in the southeastern quadrant of the state. The map illustrates that in most places, either a municipality or county has imposed a wheel tax, but not both.

There are notable exceptions to this, including in three of the state’s 10 most populous cities, Milwaukee, Madison, and Eau Claire, where both the city and county collect a wheel tax. As shown in Figure 3, this means motorists in Madison and some of its suburbs pay a combined total of nearly \$70 annually in local vehicle registration fees, in addition to the state registration

**Figure 3: Residents Pay Up To \$71 in Local Wheel Taxes**

Top 10 jurisdictions with highest combined vehicle registration fees



Source: Wisconsin Department of Transportation. \*Fee increases under consideration, which currently is \$85 per year for automobiles,

sport utility vehicles, or vans, or \$100 per year for light trucks. Additional state fees also apply to hybrid and electric vehicles. These flat fees are applied to all vehicles of their type regardless of their value or weight. That is because, unlike some neighboring states, the law in Wisconsin does not allow the state or local governments to take these factors into account for vehicles under 8,000 pounds.

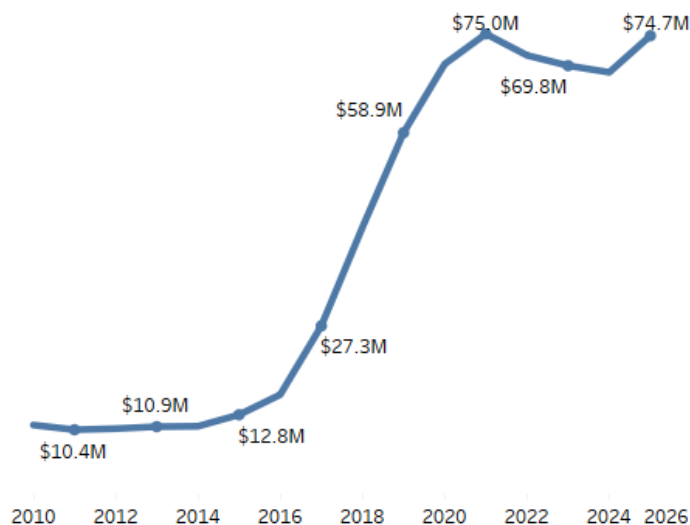
### INFLATION ERODES BUYING POWER OF WHEEL TAX REVENUE

State law currently imposes a tight cap on local governments' ability to increase their main local revenue source, their property tax levy, as it limits such increases to the annual percentage increase in equalized value from net new construction within their jurisdiction. For most Wisconsin communities in recent years, this has significantly lagged the pace of inflation.

State law provides local governments with few other options for generating added revenue. Communities can go to referendum to ask their voters to increase their tax levy above what state limits would otherwise permit, and as [Forum research](#) has found, a [growing number](#) have begun to do so. Meanwhile, a few communities around the state have tried to implement [transportation utility fees](#), which would be charged to properties based on the amount of traffic they generate. However, a recent unanimous Wisconsin Supreme Court decision struck these fees down.

**Figure 4: Inflation-Adjusted Revenue From Local Wheel Taxes Peaked in 2021**

Statewide local wheel tax collections by state fiscal year, 2025 dollars



Source: Wisconsin Department of Transportation

Wheel taxes remain a viable option, and their revenues can help provide funds for transportation and plug budget holes. Without a rate increase, however, the revenue from these fees typically lags the rate of inflation, since the number of vehicles in a community tends not to increase significantly beyond the rate of population growth.

Figure 4, which shows total statewide wheel tax revenues adjusted for inflation, illustrates how such revenues soared in the 2010s, when many communities were adopting them and inflation rates were low. Since 2021, when inflation rates surged to record highs, that dynamic has changed. Total inflation-adjusted wheel tax revenues declined for three straight years from 2022 through 2024. By 2025, they were still slightly lower than four years earlier, despite more communities having adopted them during this period. Further, nearly two-thirds of communities saw a decrease in inflation-adjusted revenue relative to their first full year of wheel tax collections.

A look at how Milwaukee's wheel tax revenue has changed relative to inflation illustrates how the buying power of these dollars recently has eroded. In fiscal year 2022, just after increasing its wheel tax, Milwaukee collected a total of \$10.2 million in inflation-adjusted revenues. By 2025, those revenues had eroded to \$9.2 million on an inflation-adjusted basis.

With this dynamic at play – and other local revenue options tightly constrained under state law – some communities that previously adopted wheel taxes are now considering raising them further. The city of Milwaukee first imposed its wheel tax in 2008, at \$20, then increased it to \$30 in 2021. Mayor Cavalier Johnson proposed increasing it in the 2026 budget, and the city's Common [Council ultimately adopted](#) an \$11 increase, bringing it to a total of \$41.

### COST OF OWNERSHIP STILL COMPARES FAVORABLY

While vehicle registration fee costs may be significant – particularly in places with both municipal and county fees, and particularly for those on limited incomes – they are just one small part of the overall cost of vehicle ownership.

The Wisconsin DOT provides a [cost-to-own calculator](#) that allows users to estimate the total cost of ownership of a vehicle in Wisconsin compared to other Midwest

states. This calculator also takes into account the vehicle make, model, and year, as well as the number of miles driven each year.

As noted in a [2024 Forum report](#), it shows that in most circumstances, the cost for Wisconsin motorists to own and drive a vehicle falls below that of our neighboring states. That is true even in Madison, one of the state's most expensive places to own a vehicle.

In the case of Iowa and Illinois, the difference is largely attributable to the higher gas tax in those states. For Minnesota and Michigan, the difference comes from greater registration fees that increase with the value and weight of the vehicle – unlike the flat fee in Wisconsin.

## CONCLUSION

The increases in both the number of communities with wheel taxes and their rates are being driven by constraints on local government revenues, inflation, and other factors. The costs of road construction in particular have grown more quickly than consumer prices, as we noted in our [2024 transportation finance report](#). These trends seem likely to drive further increases in these fees absent changes in state law.

In the state Capitol, there are indications of wheel tax fatigue among some legislators. Lawmakers recently [proposed a bill to constrain](#) local governments' ability to impose wheel taxes by requiring them to be approved by voter referendum – including those fees that are already in place.

As we have noted, these flat fees may represent a challenge for some low-income motorists with relatively inexpensive vehicles. At the same time, a comparison of Wisconsin's total cost of vehicle ownership suggests that – even with the inclusion of local registration fees – the costs here compare favorably with other states.

From the perspective of local officials, registration fees are an imperfect solution, since without a rate increase, their revenues don't rise with inflation. This is also the case with the other main state revenue source for transportation: the fuel tax, an excise tax of 30.9 cents per gallon.

Combined, these factors make our state's transportation funding model vulnerable to periods of high inflation, as the nation experienced in the early 2020s. This has been an ongoing issue in Wisconsin for

two decades, after state leaders opted in 2005 to stop indexing the state gas tax rate to inflation.

Since then, state transportation revenues have lagged while project costs have soared. Meanwhile during this period, [conditions on Wisconsin's local roads](#) have modestly declined, our research found.

On a parallel – but sometimes intersecting – track, Wisconsin policymakers also have wrestled with how to fund local governments. A [landmark 2023 law](#) provided a significant boost in state aid for municipalities and counties, but [distributed the aid unevenly](#).

In many communities, leaders of local governments such as the city of Milwaukee and Milwaukee County will have to make difficult decisions about whether to make the kinds of investments needed to repair aging streets and maintain transit services despite rising costs. Local wheel taxes could help meet these needs, but policymakers and voters will have to weigh the benefits against the costs.