

Subject: The Town Retreat Results  
March 15, 2023

Last Thursday, the town board and staff conducted an all-day budget workshop, aka the Highlands Town Retreat. This event signaled the start of the budget process for the coming year. It will be followed up by a number of afternoon budget workshops this spring.

The retreat started with a midyear report by our Town Manager and our Financial Director. The budget always appears to be huge due to enterprise funds related to the operation of our electricity, water, sewer, and sanitation utilities. The 7-million-dollar general fund is not that big. The general fund comes from 3 million dollars in town property taxes, 1.5 million in sales taxes, small amounts of state franchise taxes, and town zoning and building fees. We also have a fire tax that brings in 1.2 million. The general fund keeps basic government functions operative, such as administrative services, maintaining town properties, paving streets, zoning/planning, mapping/GIS, recreation, and police operations.

Residents within the town receive a tax bill from the county. A third of the bill is a town tax bill, and the other two-thirds is a county tax bill. Yes, Highlanders are also county residents too. So, when a town resident gets a property tax bill, say \$3,600, about \$1,000 is in town taxes, and \$2,600 are county taxes. For folks on the Highlands Plateau residing outside the town, their bill would be only \$2,600 in county taxes for a property of the same valuation.

I hope our Macon County friends and elected colleagues continue to appreciate these facts. Highlands residents and the residents of the extended township of the plateau currently pay about 46% of the total taxes of Macon County. Or put another way, about 6,000 residents of the Highlands Plateau pay almost half the taxes of the entire 38,000 Macon County population. The property tax rate for Highlands is currently 15.6 cents per \$100 of property, and the county rate is 40 cents.

Our Public Works Director always has a retreat report full of big-ticket infrastructure needs. The report includes paving roads, replacing and upgrading equipment in our water and sewer plants, as well as upgrades to the electrical department.

The budget needs for the coming fiscal year, like always, will require using reserve funds for critical projects and equipment. The town relies on reserves to avoid carrying high debt loads. For instance, we will pay cash for the proposed \$275,000 garbage truck. This vehicle is not a boondoggle expense but rather essential for garbage service.

Highlands has always had a conservative fiscal policy of prioritizing needs and funding them following a phased plan. Using this strategy, the town has made significant improvements to critical programs in recreation and upgrades to our water and sewer systems, plus instituting vigorous road and sidewalk projects. I anticipate the board following the same strategy for this new budget. With the feds driving interest rates up and with an inflationary environment, the town needs to curtail borrowing this year for infrastructure projects. A wait-and-see position is advisable.

Finally, I anticipate the town, as well as the county, to apply a revenue-neutral formula to counter those recent sky-high property revaluations. Applying this formula means the town will take in no more revenue than in past years. The tax rate will be adjusted down from 15.6 cents

to around 9.5 cents. The county rates could go from 40 cents to around 25. After those revenue-neutral adjustments are made, elected officials could increase the millage rates as a tax increase. I don't see the Town of Highlands doing so, but not necessarily for the county. If the new high school is built, and I hope it is, county taxes will have to increase. I look at that prospect as an investment for all residents.

The town board meeting is Thursday, March 16, at 7 pm.